Summary of Findings from the 2011 Ontario Association of Architects Practice Survey

It is the purpose of this summary to describe the methodology, the reliability, the findings, and suggested next steps of the 2011 Ontario Association of Architects (OAA) Practice Survey. The summary has been broken into the following sections:

- Introduction
- Methodology
- Response Rates
- Definitions
- Findings

Introduction

The OAA retained the services of Framework Partners Inc., a strategic planning and market research firm, to gather and interpret practice statistics as derived from the 2011 Practice Survey. The Practice Survey was almost entirely demographic and firmographic in nature and therefore the results described here employ somewhat fewer analytics than the Member survey described in a separate report.

The primary objective of the Practice Survey is to capture a snapshot of Architectural firms in Ontario in late 2011, and to understand current market conditions including fees, types of projects and use of OAA resources.

The survey was conducted in the late fall of 2011 with the final results presented to the management of the Ontario Association of Architects in January of 2012, and then to the Council of the Ontario Association of Architects in February of 2012.

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Methodology

Reliability

For this research Framework used an online methodology, which gave the project both accuracy and breadth. The online survey was open to all those who wanted to respond, and was advertised. It is important to note that a convenience sampling methodology, such as the one used for this survey, cannot produce a margin of error or confidence interval. A survey of this nature, where the respondents chose whether they would respond as opposed to the respondent being chosen to respond, is actually a census, where all members of the population are allowed to choose whether or not they will participate in the survey. In a sample survey, the researcher chooses who will respond, therefore producing much more accurate results. With a census survey there is no way to calculate a margin of error; however a high response rate is always better than a lower response rate. A wide ranging survey has the benefit of allowing all who want to respond the opportunity to contribute and to be heard

General Methodology

- ***Stage One – Questionnaire Development***
- ***Stage Two - Electronic / Online Survey***
- ***Stage Three - Data Smoothing & Analysis***
- ***Stage Four – Recommendations, Report & Presentation***

Reliability and Response Rates

As has been described in the previous section, the survey was conducted online where all firms who chose to participate could respond; this survey received 285 responses, of which two thirds reached the end of the survey. These 285 respondents, out of a net population of 1,245, represent a response rate of 23%. This rate, while considered quite low for a survey of a smaller magnitude, is still commendable given the vast size of the net population. The opinions expressed by those responding firms can only be said to represent those firms and not the larger entire population of architectural firms in Ontario.

If this survey were a sample survey, with such a small total population of architectural firms almost all firms would have had to respond to the survey in order to achieve an effective margin of error. Again, it must be emphasized that this was not a sample survey. The survey is a “census” in the truest form of the word.

Readers are encouraged to examine the full results of survey.

General Statistical Definitions

In support of the conclusions described below, the following statistical definitions and explanations are detailed here to help the reader better understand the information presented.

Mean. The mean is a measure of central tendency. It is the arithmetic ***average*** of the set of values, or observations received from a question.

Median. The median is also a measure of central tendency. It is the observation or number that is at the 50th percentile in an ordered data set. Stated differently, it is the point at which half of the observations are above it and half of the observations are below it.

Mode. The mode is another measure of central tendency. It is the most popular or frequently mentioned observation in a data set; it is the value that occurs most frequently.

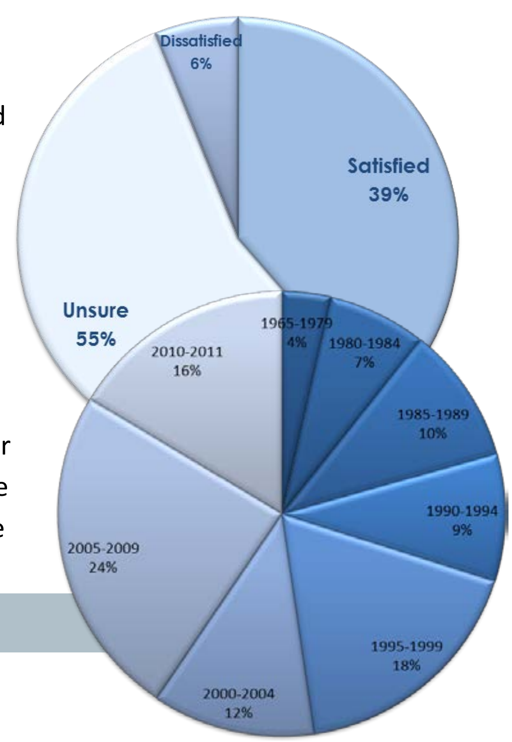
Score. The score is the mean or average of the responses received expressed as a percentage for easier interpretation. The Score is an important measure of all responses received; it demonstrates the overall response average, and includes all respondents. Stated differently, the score is a batting average, or percentage that helps us to better understand the average response. The score is a measure that is only used in seven-point Likert scale survey questions.

Top Two. The percentage of respondents to a question who responded with either a 1 ("Very Important", "Very Satisfied" or "Strongly Agree") or a 2 ("Important", "Satisfied" or "Agree") on a scale of 1 to 7. The Top Two is an indication of strength of opinion; it represents the proportion of respondents who have answered that they have a firm positive opinion about the stated question.

Findings

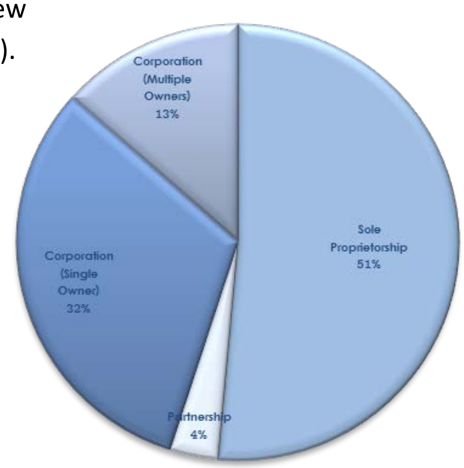
The summary learnings are from the Practice Survey of 285 responding firms, which was conducted in the fall of 2011. They are as follows:

- **General satisfaction.** When asked the question: "Please indicate how satisfied your firm is with the services it receives from the OAA.", respondents to the survey gave the OAA a top two ranking of 58% and a score of 72%, which is appreciably higher than the results of the Member Survey where the OAA achieved a Top Two of 39% and a score of 64% (please refer to the previous section of this memorandum for definitions of terms such as "score"). The most popular response was "Satisfied", and the median response was "Satisfied". In doing the analysis of these results Framework grouped together the top two on each scaled question and the bottom two on each scaled question in order to develop an accurate sense of whether the respondents were actually satisfied or dissatisfied generally. These performance measures, while leaving room for improvement, indicate

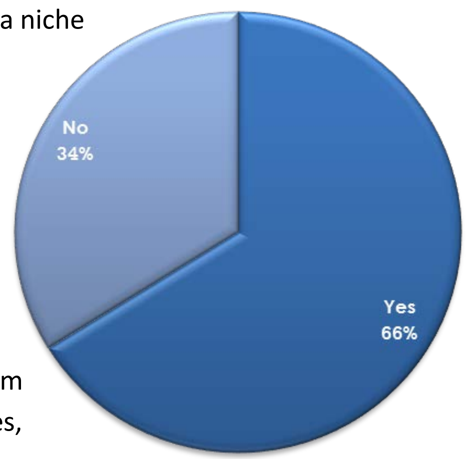


strong and positive opinions about the Ontario Association of Architects.

- **Years in Practice.** When asked the question: "What year was your firm's Certificate of Practice issued?", just under half of responding firms indicated that they have been in business for more than 12 years (2000), and that over 20% of them for 23 years or more. The largest segment is more recent with 24% being from 2005 – 2009, and 16% being from 2010 - 2011.
- **Practice Type.** Firms responding to the survey were asked: "What type of practice is it?" Clearly almost all responding firms are Architectural Practices (94%), with a few responding Engineering Firms (3%) and a few other types of firms (3%). These 'Other' firms generally have a focus on Interior Design or Urban Planning, in addition to being Architectural Firms.



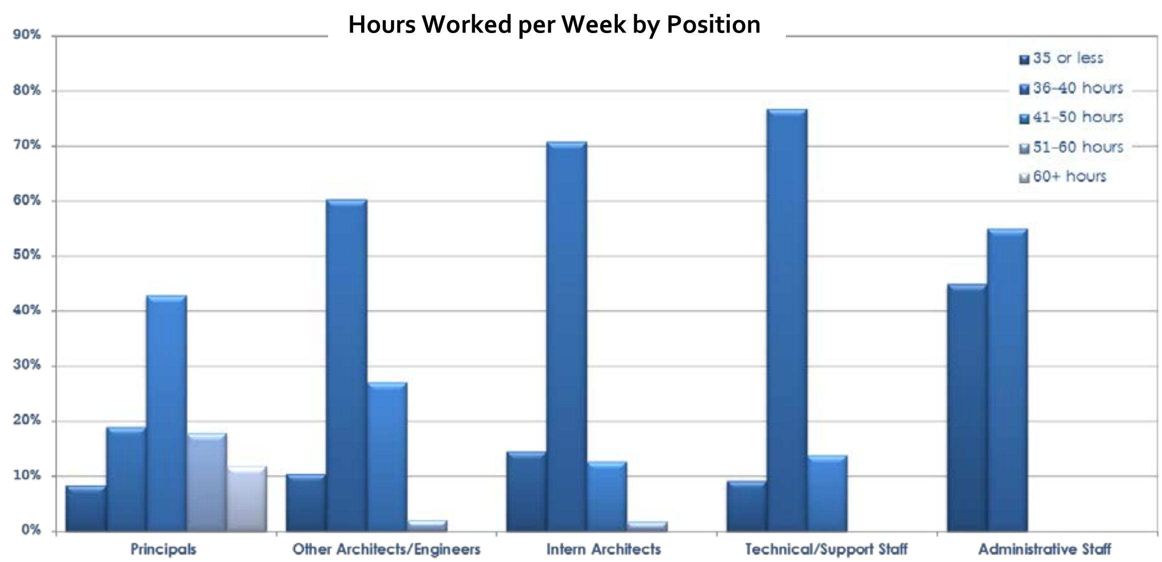
- **Form of Practice.** There is a good mix of types of organizations practicing architecture in Ontario. 51% of responding firms are Sole Proprietors, and a further 32% of responding firms are corporations with a single owner. This leads one to conclude that the profile of responding firms is dominated by smaller firms with fewer, in some instances one, employee. Few firms practice in the traditional, and perhaps dated, business form of Partnership.
- **Niche Focus.** Two-thirds of responding firms indicated that they have a niche market focus, and therefore, by imputation, are not generalists. Responses to the question: "Does the practice have a strength or market niche in a special area(s)?" are summarized in the corresponding pie chart.



- **Location of office.** Again confirming the small firm nature of the responding firm database, 50% of the respondents indicate that they run their practice out of their home.
- **Firm Composition.** Respondents indicated the composition of their firm in terms of number of staff by position. By mean number of employees, the top five positions within the firm are as follows:
    1. Architects-principals/shareholders/officers/directors 1.8
    2. Other 1.4
    3. Urban Planners...1.4
    4. Landscape Architects...1.4
    5. Interior Designers..1.3
- **Future Number of Staff.** Firms expected that in three years from now they would have more full-time employees, and the same amount of part-time, conditional and contract employees.

- **Gender Split of Employees.** Positions in the firm where a large disparity (greater than 20%) between men and women existed were the following, in order of largest disparity:
    - Urban Planners ....100% female
    - Licensed Technologist, OAA ....92% men
    - Support Staff ....83% female
    - Engineers ....80% male
    - Interior Designers ....80% female
    - Architects-principals/shareholders/officers/directors ....79% male
    - Architects-not principals/shareholders/directors ....77% male
    - Technologists/Technicians (OAAAS/CET) ....67% male
    - CADD/manual drafter ....67% male

- **Hours of Work.** Comparing the positions of principals, other architects/engineers, intern architects, technical/support staff, and administrative staff, the survey results show that principals work the largest number of hours per week, with the majority working between 41-50 hours a week, and 18% and 12% working between 51-60 hours and 60+ hours respectively. The majority of staff members in the remaining positions work 36-40 hours per week. This is depicted visually in the figure below.



- **Components of Compensation.** The majority of respondents (57%) compensate their full-time employees in the form of an annual salary, followed by those that compensate by hourly rate (18%), those that use dividends (12%), those that compensate through draws determined by cash flow (9%), and those firms that use “other” (4%) as a means of compensation.

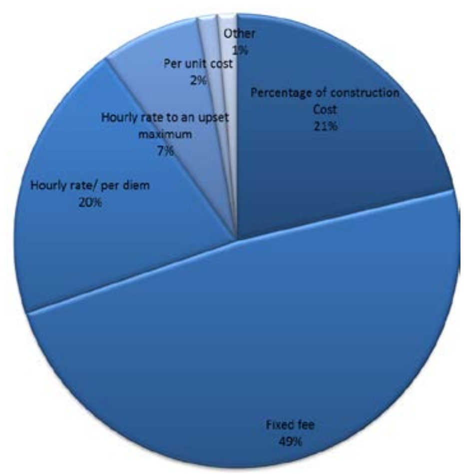
The majority of respondents (70%) pay their part-time employees an hourly rate, while 18% of respondents pay their part-time employees an annual salary, and 7% pay their part-time employees in "other" forms, and 5% pay through dividends.

83% of respondents use an hourly rate method to compensate their contract employees. 83% of respondents compensate their conditional employees using an hourly rate.

- **Potential for Upgrade.** Firms indicated what opportunities they offer to eligible employees for the purpose of professional upgrading. 32% of firms offer "payment of association fees" as a professional upgrading opportunity to full-time employees, 25% to "other" and 21% to part-time employees. 50% of firms offer "formal employee performance review" as a professional upgrading opportunity to conditional employees, 45% to part-time employees and 36% to contract employees. The "OAA Conference registration fee" is only offered to 16% of full-time employees. "Time off to work on OAA committees/volunteer work" is offered to the largest spread of employees, with 64% of firms offering this opportunity to contract employees, 50% to conditional and 50% to "other".

- **Documents used.** The survey data clearly indicates that respondents do not use documents very often. Respondents indicated that of the possible documents listed, they used "none" the most (75%), followed by RFP (12%), QAA QBS (11%), and SOQ (2%).

- **Revenue Determination.** On average, respondents indicated that the "fixed fee" method was used the most used method for firms to arrive at the practice's total gross revenue. Respondents stated that on average, 49% of the practice's total gross revenue was arrived at by way of this method. The percentage of use for the remaining methods is displayed in the corresponding chart.

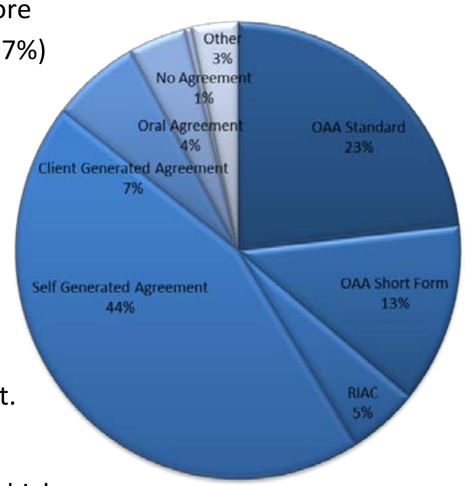


- **Percentage of Gross Revenue Applied.** Respondents identified that of the six potential applications of funds, the largest percentage of gross revenue (49%) is applied to Design of Part 3 buildings of the Ontario Building Code. This was followed by Design of Part 9 buildings of the Ontario Building Code, to which 36% of total gross revenue is applied.

- **Percentage of Fee Earned.** The highest percentage of a firm's fee is earned during the Contract Documents stage (42%). The stage where the second largest amount of the fee is earned is during the Design (including design development) stage (30%).

- **Analytical Methodology.** The majority of practices (63%) do not use analytical methodology to determine if they should pursue a commission or reply to a Request for Proposal (RFP). The remaining 37% stated that their practices do use analytical methodology beforehand.

When asked if their practice typically used a go-no go checklist before pursuing a commission or replying to a RFP, the majority of firms (57%) used a checklist that was self-developed before going forward. The next closest answer chosen by firms was “no” (26%), that their firm did not use a checklist of this nature.

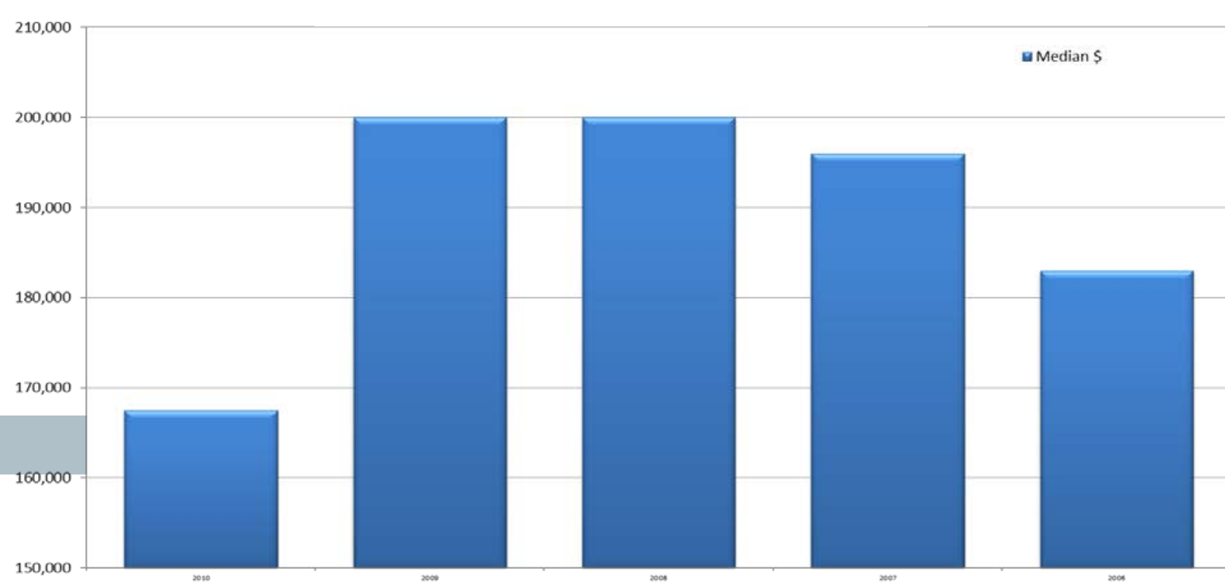


- **Commission Documentation.** The survey results show that the Self-Generated Agreement is the method used on the highest percentage of commissions (44%), while the OAA Standard is used only 23% of the time. The remaining methods are favoured considerably less. The breakdown is shown in the adjacent pie chart.
- **Profit Margin.** The question asking respondents to indicate the percentage of fee that they built into fees when first set returned a high variance of results. The results, in descending order of cumulative percentage, are as follows:

    1. Not a consideration 24%
    2. 11 to 15% 24%
    3. 16 to 20% 19%
    4. More than 20% 16%
    5. 6 to 10% 14%
    6. Less than 5% 3%

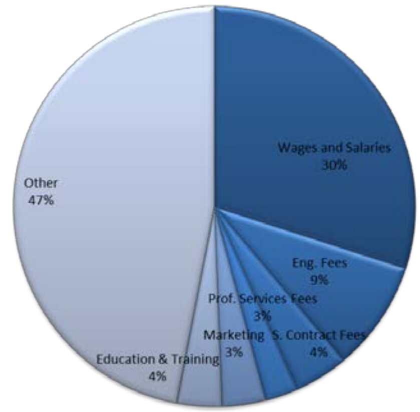
- **Profitability.** The majority of respondents (83%) answered that their firm’s profitaiblity is most often neither better nor worse than planned.
- **Mastering the Business of Architecture.** Only 2% of respondents use this publication “all the time” in negotiations. The survey results show that 43% of respondents utilized the strategies for preparation and negotiation tactics as set out by the publication 1 to 50% of the time, and 49% of respondents do not utilize the publication at all.
- **Revenues and Expenditures.** The practices’ median total gross revenue/billings from professional fees in the last five financial years are shown in the following figure.

Median Practice Revenues Years 2006 - 2010



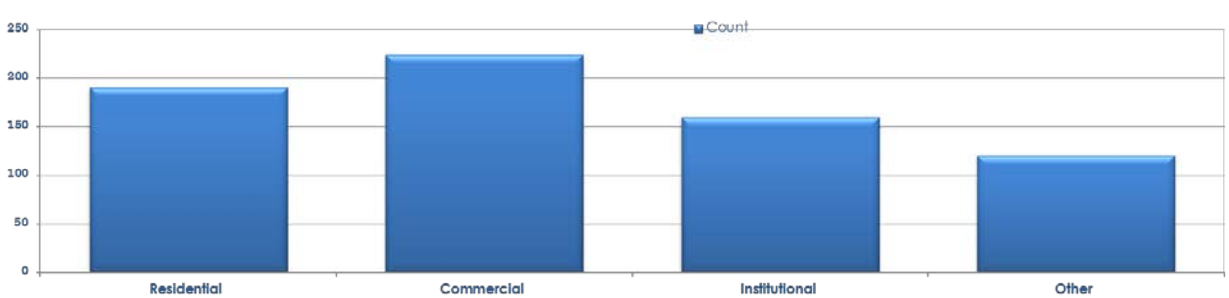
Firms were asked to indicate the causes of any substantial change (over 30%), in their revenue which had taken place in the past financial year. The results were varied, with 21% identifying "large, one time contract started/ended", 19% indicating that "revenue has not changed by 30%" as, and 17% identifying "other" as a cause, respectively.

- **Practice Outlook.** Respondents believe that over the next three years, the association's total gross revenue is likely to stay almost exactly the same, with a top two score of only 22% and a bottom two score of only 12%.



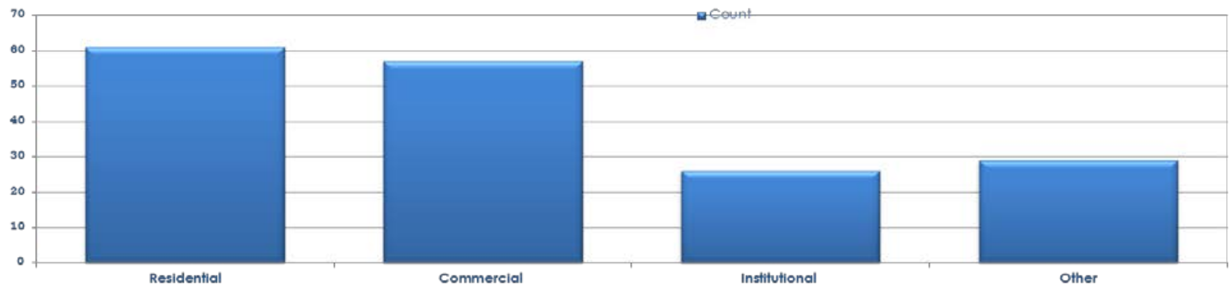
- **Revenue allocation.** Firms reported that their practice allocated the highest percentage of revenue (47%) in the 2010 financial year to expenses "other" than those listed in the survey. Unsurprisingly, respondents stated that they allocated 30% of their practice's total revenue to the payment of wages and salaries.
- **Witholding of Architectural Fees.** The data indicates that over 90% of the respondents' clients are holding less than 10% of architectural fees under the Constitution Lien Act, a positive finding.
- **Collection of Bills.** On average, billings are collected either between 32-60 days (43% of respondents), in 30 or less days (32%), or between 61-90 days (21%). After the 120 day period, 45% of respondents indicated that only 1-10% of billings were collected, and 35% indicated that 0% was collected after that time period. With respect to write-offs, 87% of respondents stated that less than 5% of billings were written off as uncollectable.
- **Public Funding.** On average, 16.6% of the practice's work received public funding (in terms of total gross revenues in 2011).
- **Spread of Work.** The survey results show that practices receive the vast majority of their work from a private owner (54%), with public owner, developer contract / design builder, and other comprising the remaining 46%. With respect to project procurement methods, practices answered that the majority of projects came from the design-bid-build method (45%), "other" methods accounted for 33%, and the design-build method accounted for 17%.
- **Revenue Sources.** Respondents were asked to indicate what the primary types of work were for their practice, by far, residential, commercial, institutional and other were listed as the primary types.

Primary Types of Work



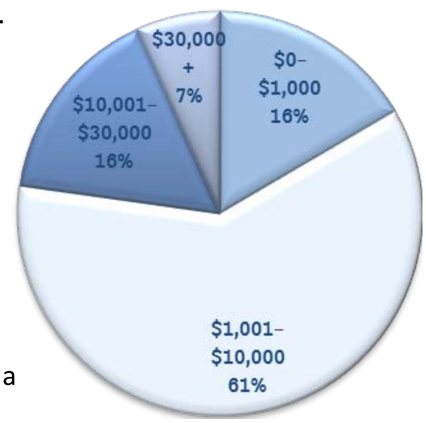
Of the types of work listed, respondents listed residential as being the most profitable, followed closely by commercial, and then by instituional and other.

Profitability by Work Type



- **Location of Work.** Of the work done by the practices, the majority was completed within Ontario (91%). In the last five years,86% of respondents indicated that revenues gained from work outside Ontario over the past five years have stayed the same. From work outside Ontario, respondents anticipate that revenue gained will also stay the same (92%) over the next five years.
- **Budget Allocated to Technology.** The vast majority of firms allocated between $1,000 and $10,000 to information technology. When correlated with general satisfaction, it can be seen that practices that allocate between $501 and $1,000 and between $20,001 and $30,000 to information technology, are the most generally satisfied practices within the OAA.

  Information technology support is primarily provided by the firm through consultants hired on an as-needed basis (40%), with the second most common response being that no technical support is available (22%).



- **Information Acqusition.** Respondents indicated that they use their friends the most frequently as a method to acquire information, with a very high top two score of 84%. Respondents gather information second most frequently from sales representatives, with a top two score of 22%.

  For the purposes of marketing and promotion, practices used the following services most frequently:

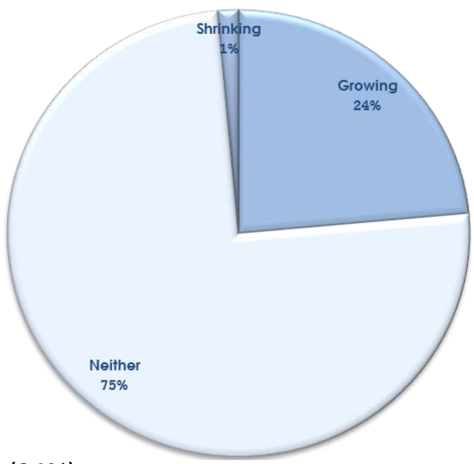
  1. Referrals ....top two 90%
  2. Previous clients/repeat work ....top two 87%
  3. Personal visits and contacts ....top two 73%

- **Software.** Autodesk Revit is the most used design/development by responding practices.When asked what energy modelling software was used in the firms of the respondents, “none” was by far the most common answer, with a relative percentage of 80%.
- **Marketing and Promotion.** In 2011, the largest mean percentage of the practices’ work came from engagements by the owner (73%). The second largest percentage of the practices’ work came from the contractor/designer – builder (11%).

  The following selection methods were used the most frequently: sole source (73%), followed by “RFP where the lowest fee is the determining factor” (11%) and “RFP where factors other than fee determine selection” (10%).
- **Practice Outlook.** When respondents rated, from most to least, the factors that they anticipated would have an impact on their practice over the next five years, the results were varied. The following are the top five results by top two ranking:

  1. Niche/Specialization 45%
  2. Increased use of advanced technology and production of design 43%
  3. Growth of Candian markets 36%
  4. Decreased fees due to factors such as increased competition, too many architects, etc. 28%
  5. More joint ventures among firms on a project by project basis 26%

- **Sustainable Design.** 62% of firms provide design or consulting services related to sustainable design. When respondents were asked if a list of causes has had substantial (greater than 30%) changes to gross revenue, sustainable design was found to be a large cause. 28% of firms found “sustainable building design services” to be a cause of substantial change to gross revenue, and 27% found “selection and specification of sustainable products and materials” to be a major cause.



  As shown in the adjacent pie chart, the majority of firms (75%) anticipate that growth of sustainable design services will neither grow nor shrink in the coming years. The remaining respondents (24%) anticipate that their practice’s sustainable design services will grow.
- **Certification.** 63% of firms do not have employees in their firm who are certified in LEED or any other certification program, i.e., BREAM, BOMA, BEST, etc.
- **IDP.** 65% of firms do not participate in IDP (Integrated Design Process).