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Framework Analytics: 2020 OAA Practice Survey Overview

Prepared under contract to the Ontario Association of Architects

Framework Analytics Inc.

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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 2020 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 memo.

The primary objective of the Practice Survey is to capture a snapshot of Architectural firms in Ontario in late 2019, and to learn how they are currently operating and believe they will be in the future.

The survey was conducted in early 2020 with the final results presented to the management of the Ontario Association of Architects in the spring of 2020.

Methodology

Reliability

For this research Framework used an online convenience sampling methodology, which gave the project both accuracy and breadth. The online survey was open to all those who wanted to respond and was actively promoted to the membership. 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 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

Framework prides itself on producing exceptional response rates for our clients and has frequently far surpassed response rate goals. Framework has a proven effective and respectful response rate generation system.

General Methodology

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

Benefits of this Approach

Expected outcomes and benefits of this process can include the following:

- ***Reliability & Accuracy.*** The member-engagement approach produced both reliable & accurate information, and information with depth and breadth.
- ***Better Understanding of Perceptions.*** The process identified respondents' perceptions of OAA's strengths, and areas needing improvement.
- ***Focus on Key Issues.*** The study identified key issues upon which the Ontario Association of Architects can focus to enhance its relationship with the membership.

Since no organization has the advantage of unlimited resources, it is important to deploy those resources toward improvement efforts in those areas that will yield the best return.

- ***Enhanced Engagement.*** Conducting a survey is, by its nature, a two-way communication exercise, and it will impact perceptions of the value and effectiveness of communication with the organization. A properly designed and executed survey tends to enhance those perceptions, in part, by helping the respondent to feel that his/her opinion matters, and has valuable input.
- ***Strategy.*** By understanding what issues drive sector loyalty and positive attitudes, one can increase the effectiveness of strategies designed to achieve those goals.
- ***Expertise.*** Senior partners at Framework work to analyze and interpret data and provide recommendations, unlike other firms who typically have junior analysts do the work.
- ***Experience.*** Framework has over 25 years of experience in survey administration and analysis. Our wealth of experience enables us to effectively assess project requirements, and meet client needs, deadlines and budgets.
- ***Increased Sense of Partnership.*** This is a cost-effective process for providing respondents the opportunity to express their opinion, thus increasing a feeling of partnership between them and the Ontario Association of Architects.

Reliability and Response Rates

As has been described in the previous section, the survey was conducted online where all who chose to participate could respond; this survey received 537 responses. Further, the profile of the sample responses mirrors the profile of the membership database, which allows us to conclude that the sample is a good sample, and that it can be relied upon. These 537 responses represent a response rate of 29%, which is judged to be very high by industry standards.

If this survey were a sample survey, a total of 318 responses would be required to achieve a margin of error of +/-5%, 19 times of 20. As the resulting respondent database far exceeds 318, the resulting reliability is consistent with a margin of error is +/-3.6%, 19 times of 20. Again, it must be emphasized that this was not a sample survey.

Readers are encouraged to examine the full results of survey.

General Statistical Definitions

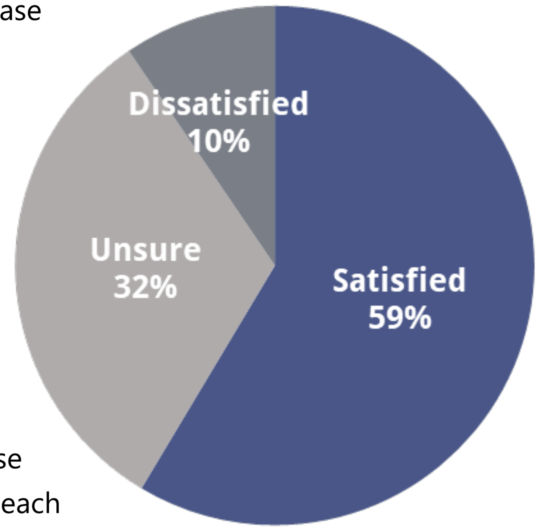
In support of the conclusions described below, the following statistical definitions and explanations are detailed here to help the reader better understand the information presented.

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.
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. It is important to examine the score as interpreting the average or mean response, when a seven-point Likert scale is used, can be difficult.
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 opinion about the stated question.
Frequency % (Freq. %). The percentage of respondents who choose a specific option in a question that allows only one choice. These percentages always sum to 100% for a question. They exclude responses to a question that are not informative (for example "I don't know" and "No Response" counts.)
Incidence % (Incid. %). The percentage of respondents who choose a specific option in a question that allows more than one choice. These percentages almost always sum to more than 100% for a question. They exclude responses to a question that are not informative (again for example "I don't know" and "No Response" counts.)
Overall General Satisfaction (GenSat.). The overall percentage of respondents who indicated that they 'Very Satisfied' or 'Satisfied' when it comes to the overall services they receive.

Findings

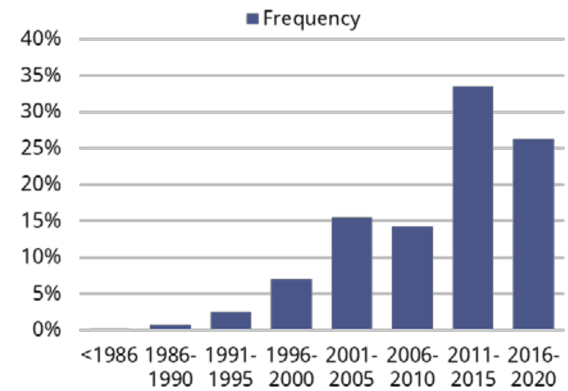
The summary learnings are from the practice survey of 537 respondents, which was conducted in early 2020. They are as follows:

- **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 59% and a score of 70%, which is appreciably higher than the results of the Member Survey where the OAA achieved a Top Two of **48%** and a score of **67%** (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 generally satisfied or dissatisfied. These performance measures, while leaving room for improvement, indicate strong and positive opinions about the Ontario Association of Architects.



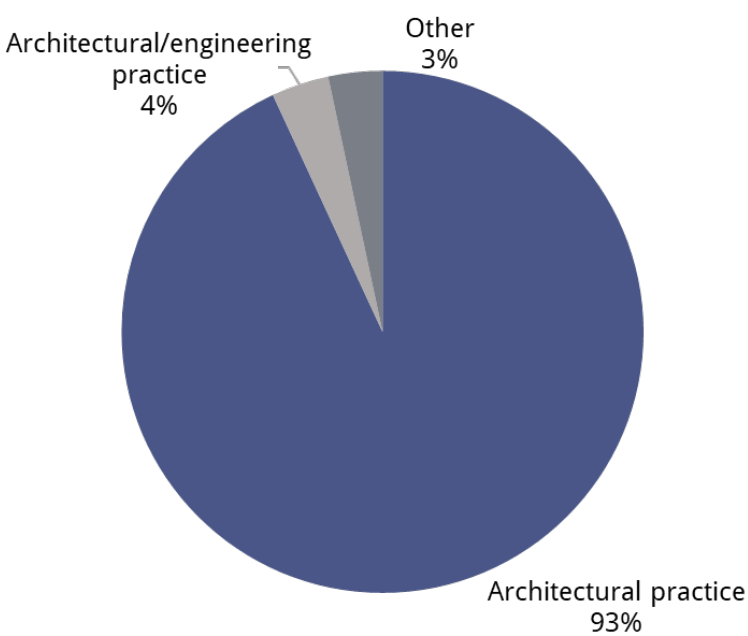
The Top Two value of **59%** the OAA received in 2020 was similar to the **58%** they received in 2012. In general, most member-based organizations have a general satisfaction rating between 65% and 75%, with high performing member-based organizations in the 75% to 85% range.

- **Years in Practice.** When asked the question: "What year was your firm's Certificate of Practice issued?", more than half of responding firms indicated that they have been in business for less than 10 years (2010), and that **11%** of them for 20 years or more. The largest segments are more recent with **33%** of respondents indicating from 2011 – 2015, and **26%** indicating from 2016 - 2020.



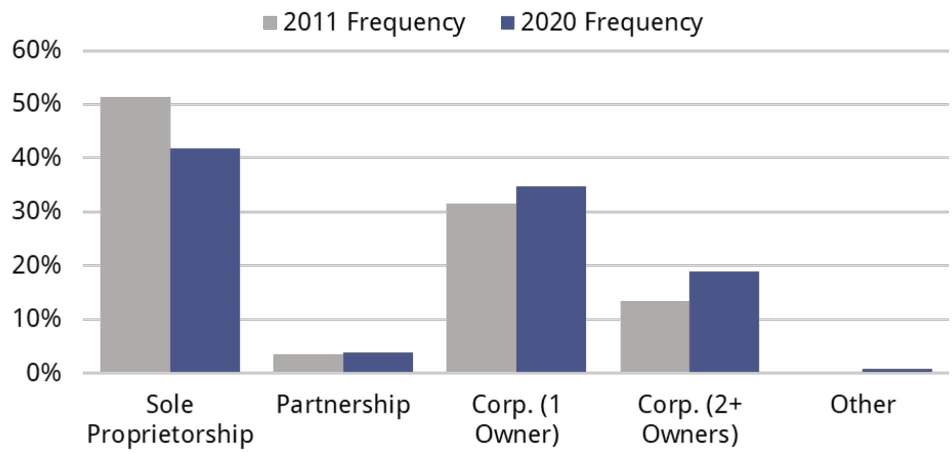
- **Practice type.** Firms responding to the survey were asked: "What type of practice is it?" Clearly almost all responding firms are Architectural Practices (93%), with a few responding Engineering Firms (4%) and a few other types of firms (3%). These 'Other' firms generally have a focus on Interior Design or Urban Planning, in addition to being Architectural Firms.

These results are almost identical to the 2011 practice survey.



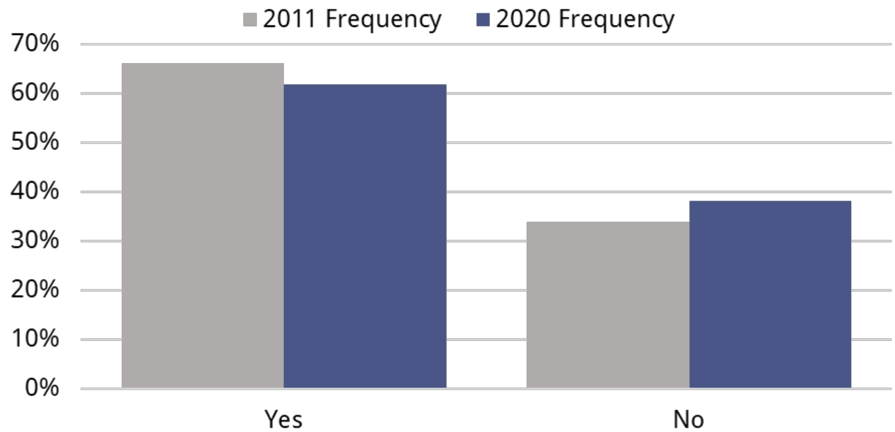
- **Form of Practice.** There is a good mix of types of organizations practicing architecture in Ontario. **42%** of responding firms are Sole Proprietors, and a further **35%** of responding firms are corporations with a single owner. This leads one to conclude that the profile of responding firms is dominated by smaller firms with fewer employees (in some cases one). Few firms practice in the traditional, and perhaps dated, business form of Partnership.

  These results differ from the 2011 survey where **51%** of responding firms where Sole Proprietors and **32%** were corporations with single owners.



- **Niche Focus.** Of the firms who responded to the survey, **62%** 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 following chart.

  In 2011, **66%** of responding firms indicated that they have a niche market focus. This demonstrates an increased generalization of responding firms in 2020 when compared to 2011.



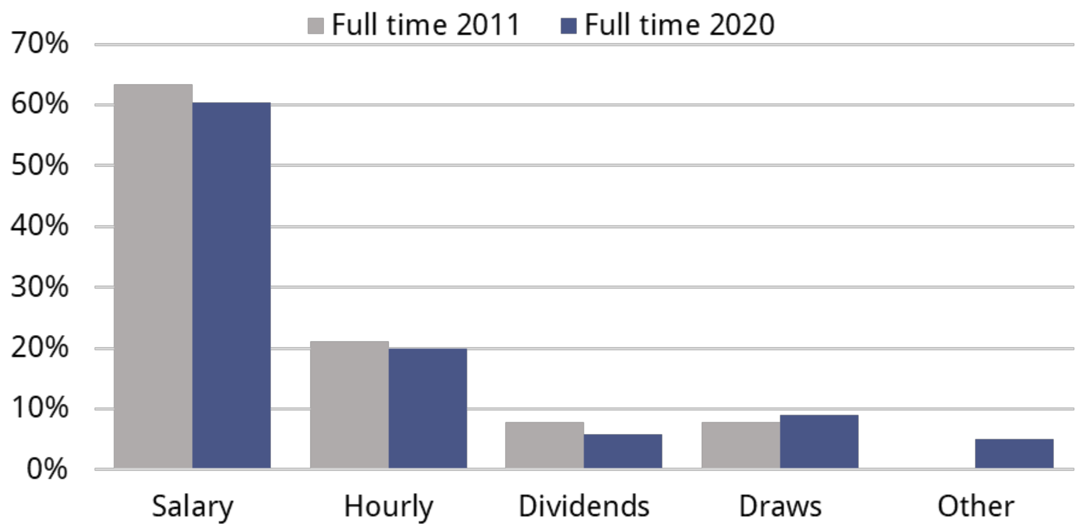
- **Location of Office.** Again confirming the small firm nature of the responding firm database, **50%** of the respondents indicate that they run their practice out of their home.
- **Firm Composition.** Respondents indicated the composition of their firm in terms of number of staff by position. By mean number of employees, the top five **full-time** positions within the firm are as follows:

1. Support staff **1.9**
2. Architects-principals/shareholders/officers/directors **1.7**
3. Engineers **1.6**
4. Architects-not principals/shareholders/officers/directors **1.6**
5. Intern architects **1.6**

And the top five **part-time** positions within the firm are as follows:

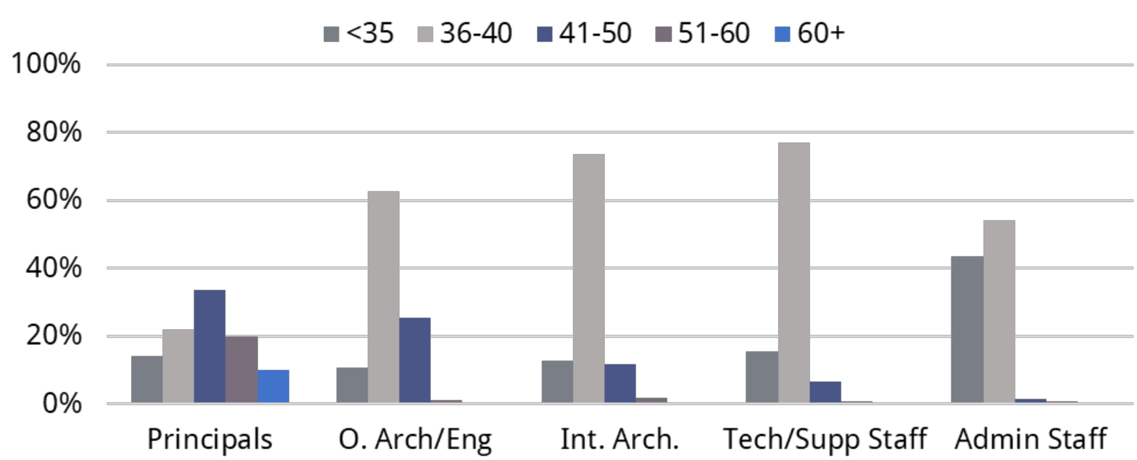
1. Support Staff **0.6**
2. Other **0.3**
3. CADD/Manual drafter **0.2**
4. Architects-principals/shareholders/officers/directors **0.1**
5. Architects-not principals/shareholders/officers/directors **0.1**

- **Future Number of Staff.** In 2020, significantly fewer firms expected that in three years' time they would have more full-time, conditional, and/or contract employees than in 2011.

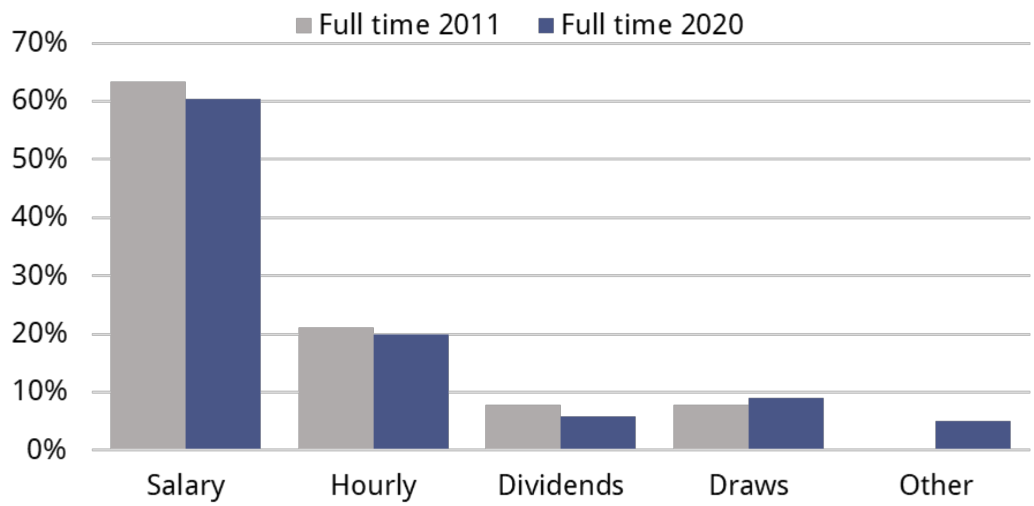

Full time 2011
Full time 2020
70%
60%
50%
40%
30%
20%
10%
0%
Salary
Hourly
Dividends
Draws
Other

- **Gender Split of Employees.** The gender breakdown in the various positions of respondent firms were the following, in order of largest disparity. Positions with a large disparity (greater than 20%) are marked with an asterisk (*).
    - Registered Interior Designers* .... **95%** female
    - Licensed Technologist OAA* .... **83%** male
    - Support staff* .... **82%** female
    - Engineers* .... **78%** male
    - Landscape architects* .... **78%** female
    - Architects-principals/shareholders/officers/directors* .... **74%** male
    - Technologists/technicians (OAAAS/CET)* .... **71%** male
    - CADD/manual drafter (not OAAAS/CET)* .... **68%** male
    - Architects-not principals/shareholders/officers/directors .... **59%** male
    - Intern architects........ **57%** female
    - Architectural Graduate (not intern architect) .... **56%** male
    - Other .... **55%** female
    - Urban planners .... **54%** 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 **20%** and **10%** 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.

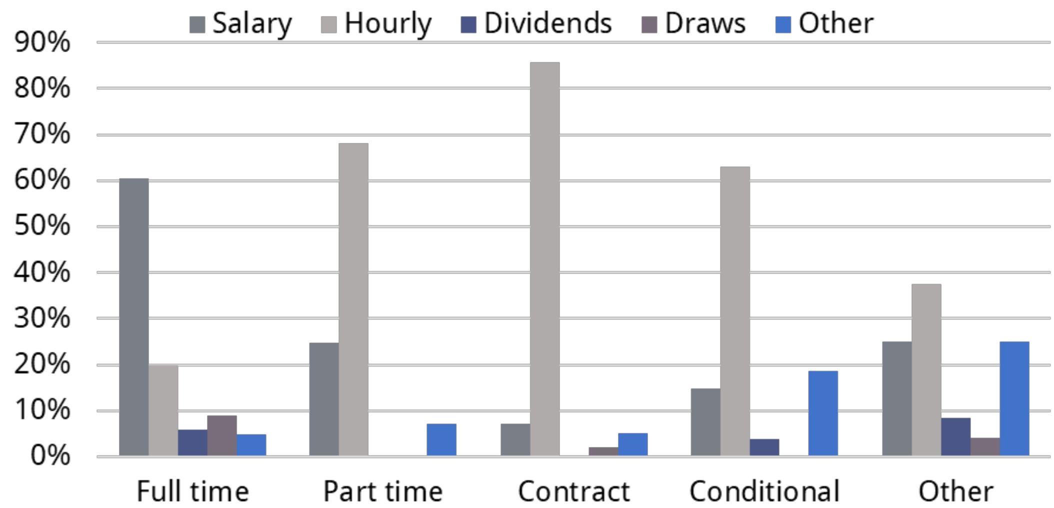


- **Components of Compensation.** The majority of respondents (**60%**) compensate their full-time employees in the form of an annual salary, followed by those that compensate by hourly rate (**20%**), those that use dividends (**6%**), those that compensate through draws determined by cash flow (**9%**), and those firms that use “other” (**5%**) as a means of compensation.



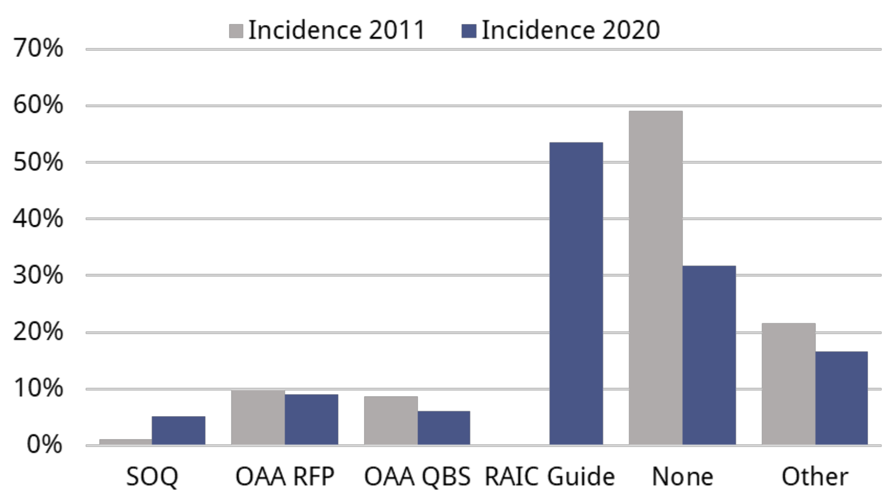
The majority of respondents (**68%**) pay their part-time employees an hourly rate, followed by those that pay their part-time employees an annual salary (**25%**), and finally those that pay their part-time employees with dividends or with draws (**8% each**).

The majority of respondents (**86%**) pay their contract employees an hourly rate, followed by those that pay their part-time employees an annual salary (**7%**), followed by those that pay their using an “other” means of compensation (**5%**) and finally those that pay their part-time employees with draws (**2%**).

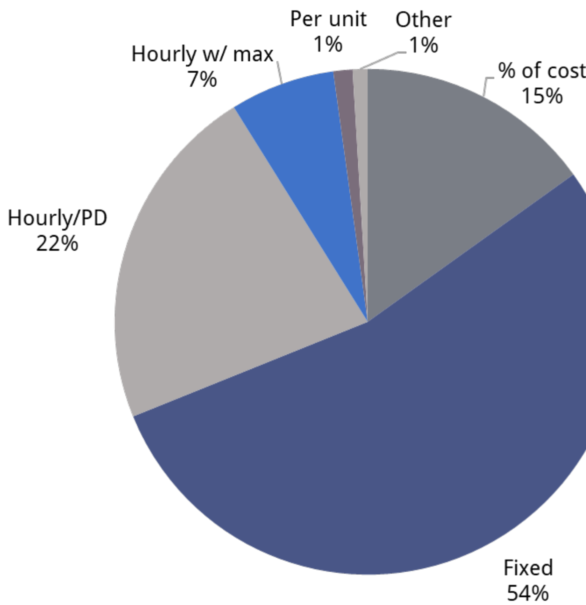


- **Documents used.** The survey data indicates that the majority (**53%**) of respondents use the "RAIC A Guide to Determining Appropriate Fees for the Services of an Architect" document documents very often. A minority (**32%**) of respondents indicated that they do not use any documents. Of the other documents listed, **17%** use "other" documents, **9%** use the OAA RFP document, **6%** use the OAA QBS document, and **5%** use the OAA SOQ document.

These results are mostly consistent with the 2011 survey with the only significant change being the introduction of a new option: the RAIC guide. Smaller changes include: more respondents reported using the SOQ document in 2020 compared to 2011 and fewer respondents reported using the QBS document.



- **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, **54%** 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.



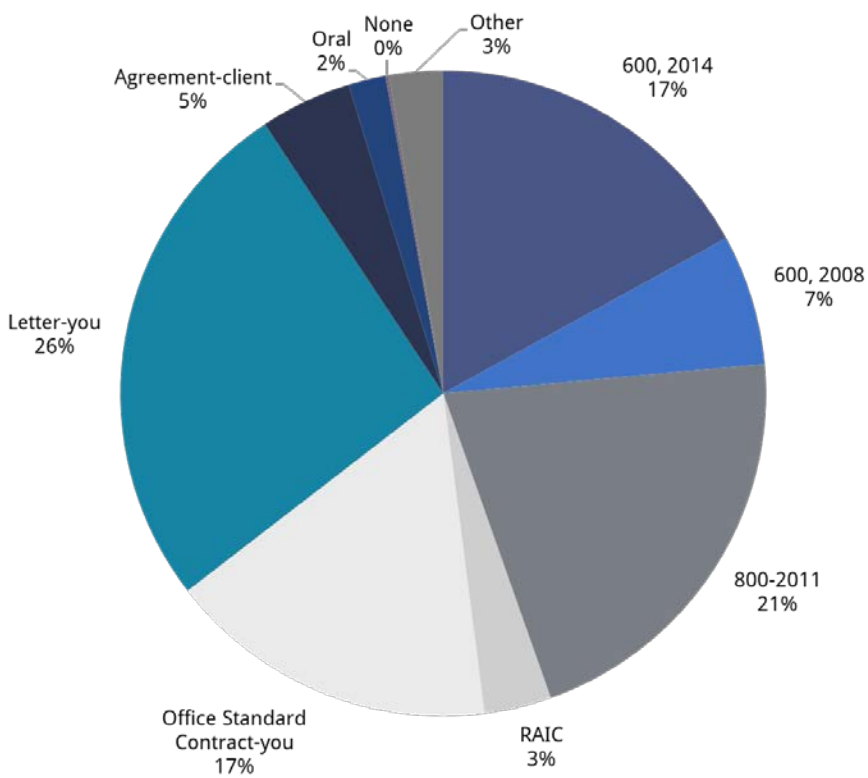
- **Percentage of Gross Revenue Applied.** In 2020, Respondents identified that of the six potential applications of funds, the largest percentage of gross revenue (**42%**) is applied to Design of Part 3 buildings of the Ontario Building Code, a decrease from **49%** in 2011. This was followed by Design of Part 9 buildings of the Ontario Building Code, to which **36%** of total gross revenue is applied. These results are consistent with the 2011 survey.
- **Percentage of Fee Earned.** The highest percentage of a firm's fee is earned during the Contract Documents stage (**39%**). The stage where the second largest amount of the fee is earned is during the Design (including design development) stage (**19%**). These results are consistent with the 2011 survey.
- **Analytical Methodology.** The majority of practices (**64%**) do not use analytical methodology to determine if they should pursue a commission or reply to a Request for Proposal (RFP). The remaining **36%** 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" (**17%**), that their firm did not use a checklist of this nature.

These results are consistent with the 2011 survey.

- **Commission Documentation.** The survey results show that the OAA Standard Forms (Document 600, 2014; Document 600, 2008; and OAA 800-2011) when considered together, are used **45%** of the time. Self-generated 'letter' agreement is the method used on the second-highest percentage of commissions (**26%**).

  Due to significant changes to this question in 2020, an interperiod comparison is impossible.

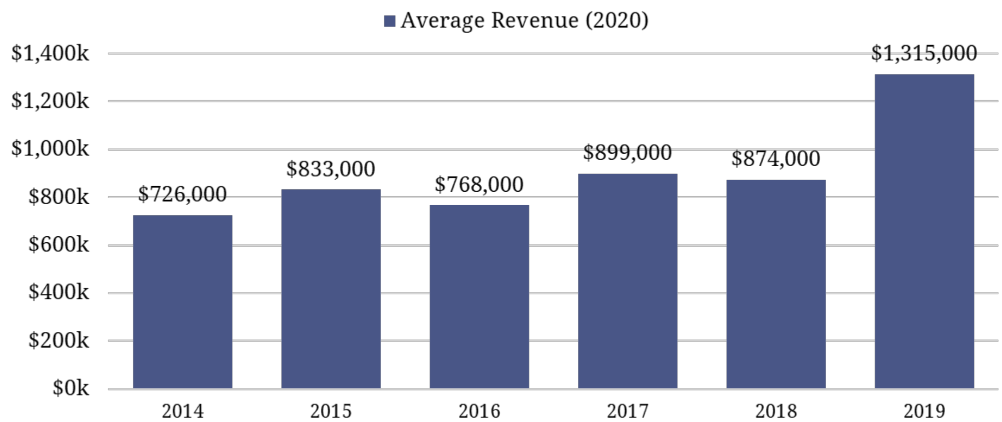


- **Profit Margin**. The question asking respondents to indicate the percentage of fee that they built into fees when first set returned a high variance of results. The results, in descending order of cumulative percentage, are as follows:

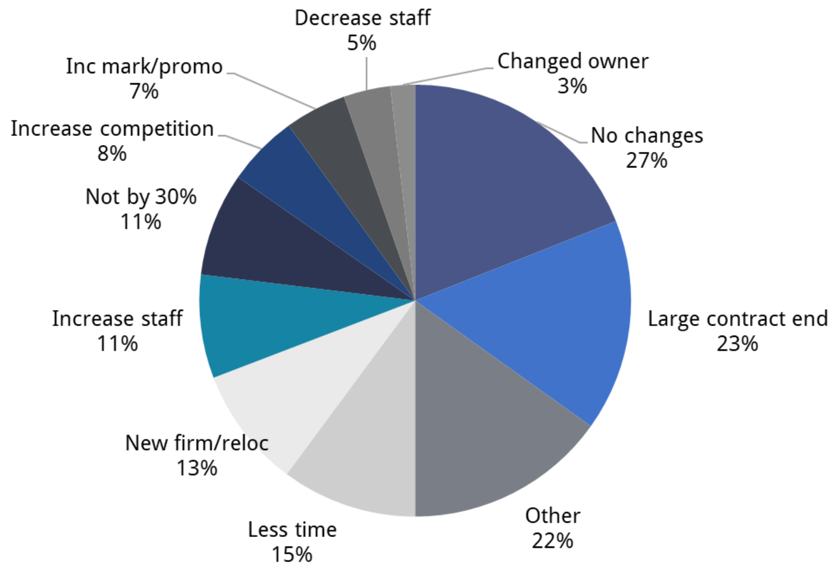
  1. Not a Consideration **22%**
  2. 11 to 15% **22%**
  3. More than 20% **18%**
  4. 16 to 20% **17%**

5. 6 to 10%..**12%**
6. Other..**6%**
7. Less than 5% **3%**

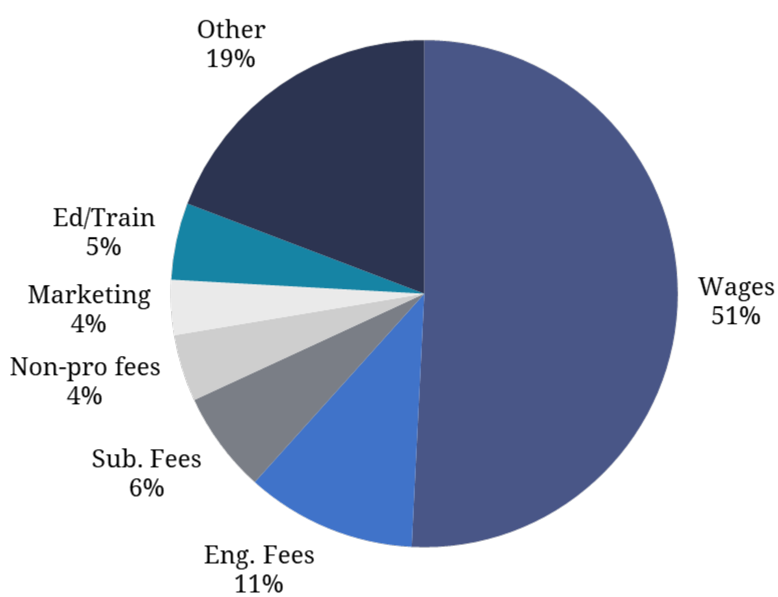
- **Profitability.** In 2020, the majority of respondents (**85%**) answered that their firm's profitability is not significantly better nor worse than planned, an increase from 83% in 2011.
- **RFP Alerts and Practice Tips 39.1.** Only 7% of respondents use this publication "all the time" in negotiations. The survey results show that **41**% of respondents utilized the publication and the remaining **59%** of respondents did not utilize the publication.
- **Revenues and Expenditures.** The practices' median total gross revenue/billings from professional fees in the last five financial years is shown in the following figure.



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 **23**% identifying "large, one time contract started/ended", **22**% identifying "other" as a cause, **15%** identified "spent less time practising" as a cause, and **13%** identified "started new firm/relocated firm" as a cause.



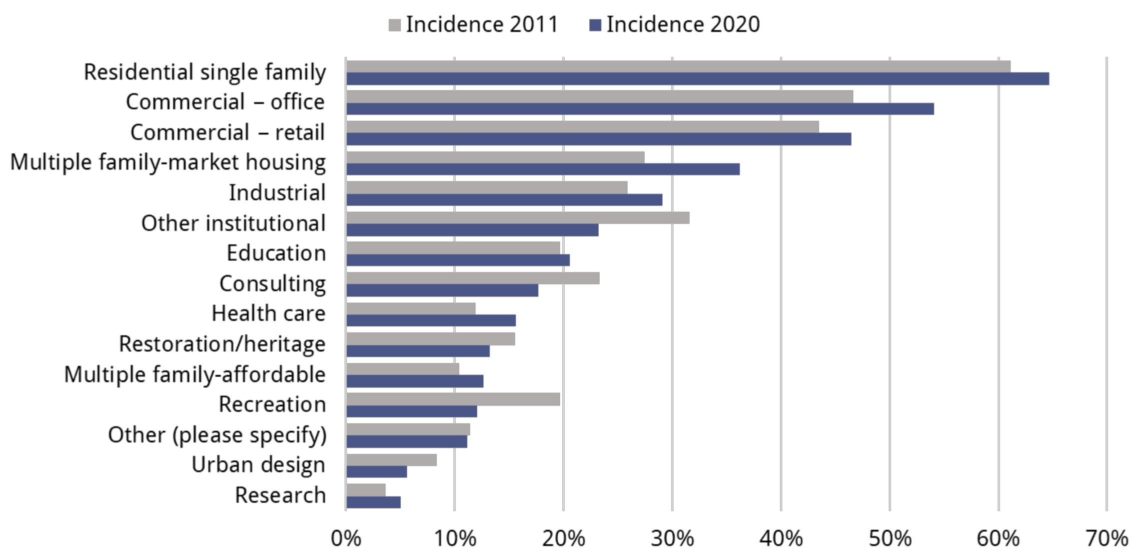
- **Practice Outlook.** Respondents believe that over the next three years, the firm's total gross revenue is likely to stay almost exactly the same, with a top two score of only **25%** and a bottom two score of only **9%**. These results are consistent with 2011.
- **Revenue allocation.** Firms reported that their practice allocated the highest percentage of revenue (**51%**) in the 2019 financial year to wages and salaries, followed by **11%** to engineers. The remaining areas respondents reported allocating their fees to can be found in the chart below.



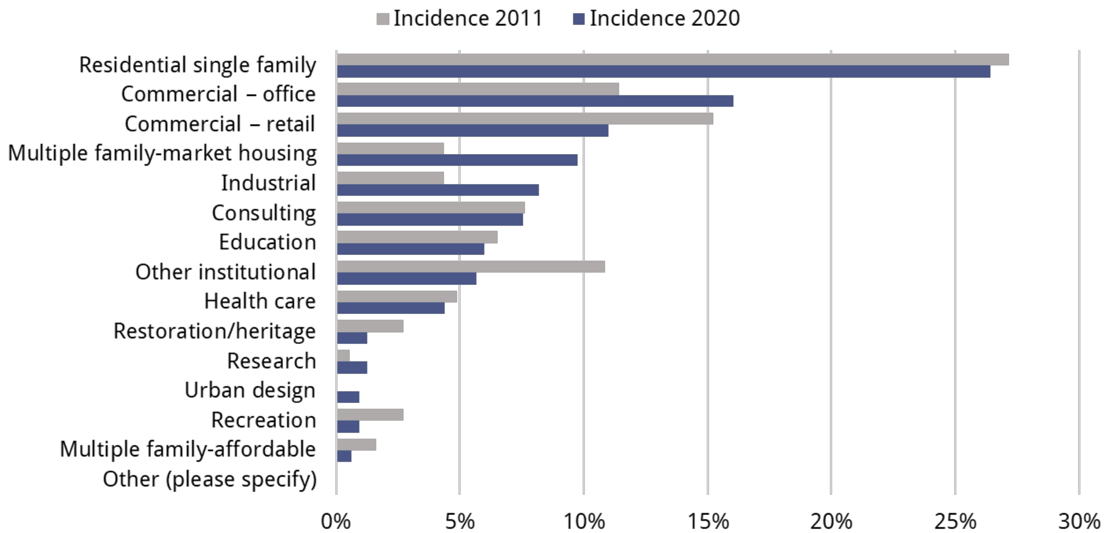
- **Withholding of Architectural Fees.** The data indicates that **93%** of the respondents' clients are holding less than 10% of architectural fees under the *Construction Lien Act* a positive finding.
- **Collection of Bills.** On average, billings are collected either between 31-60 days (**38%** of respondents), in 30 or less days (**34%**), or between 61-90 days (**23%**).

  After a 120 day period, **41%** of respondents indicated that only 1-10% of billings were collected, and **35%** indicated that 0% were collected after that time period. With respect to write-offs, **88%** of respondents stated that less than 5% of billings were written off as uncollectable. These results are consistent with the 2011 survey.
- **Public Funding.** On average, **28%** of the practice's work received public funding (in terms of total gross revenues in 2019), an increase from **17%** in 2011.

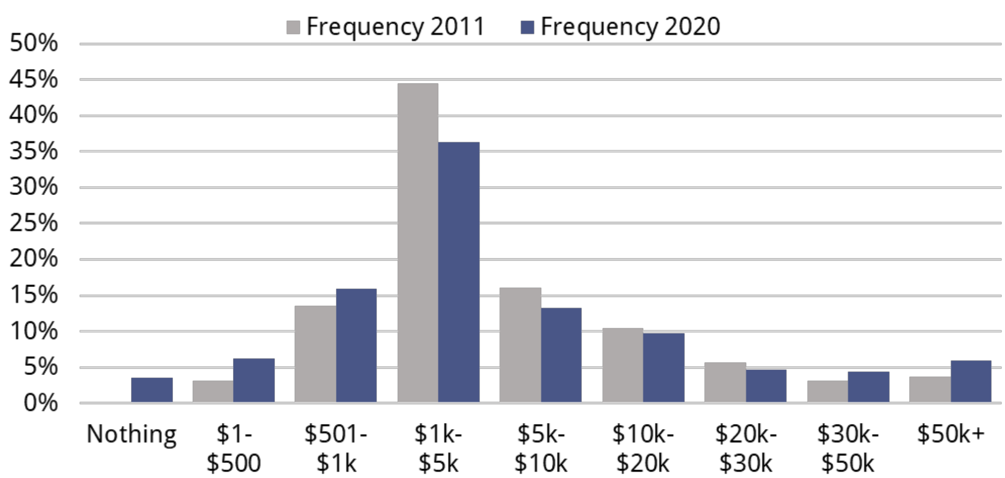
- **Spread of Work**. The survey results show that practices receive the vast majority of their work from a private owner (**59%**), with public owner, developer contract / design builder, and other comprising the remaining **41%**. With respect to project procurement methods, practices answered that the majority of projects came from the design-bid-build method (**48%**), "other" methods accounted for 28%, and the design-build method accounted for 21%. These results are consistent with the 2011 survey.
- **Revenue Sources.** Respondents were asked to indicate what the primary types of work were for their practice. Residential, commercial, institutional and other were listed as the primary types.



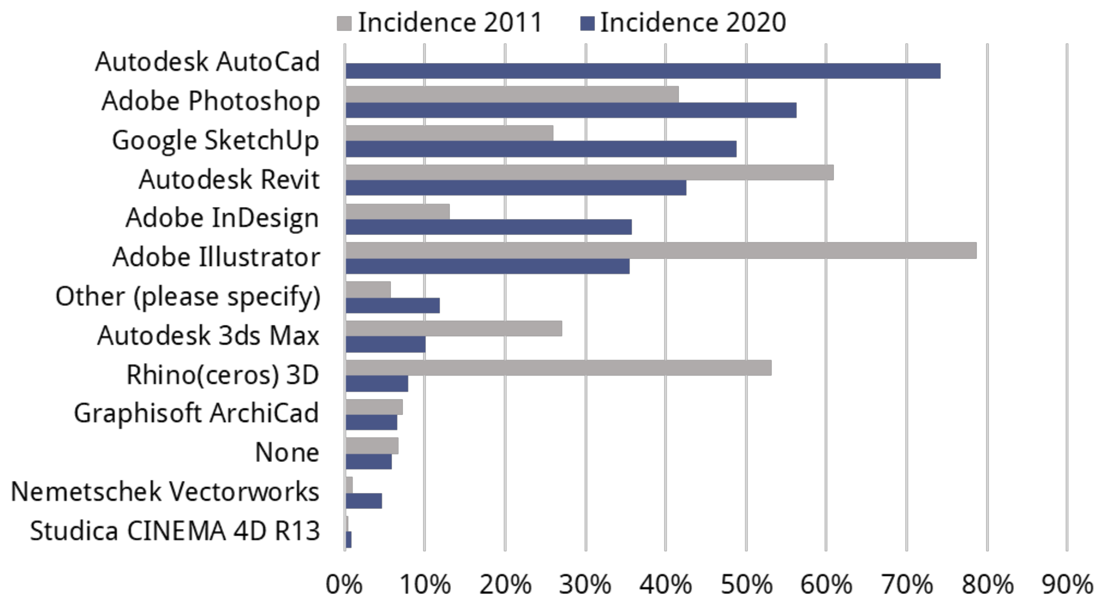
Of the types of work listed, respondents listed residential as being the most profitable, followed closely by commercial, and then by institutional and other.



- **Location of Work.** Of the work done by the practices, the majority was completed within Ontario (**94%**). **86%** of respondents indicated that revenues gained from work outside Ontario over the past five years has stayed the same. From work outside Ontario, respondents anticipate that revenue gained will also stay the same (**88%**) over the next five years. These results are consistent with the 2011 survey.
- **Budget Allocated to Technology.** The majority (**65%)** of firms allocated between $500 and $10,000 to information technology. In general, firms who responded to this survey are spending slightly less on information technology in 2020 than they did in 2011.



- **Software.** Autodesk AutoCad is the most used design/development software by responding practices with **74%** utilization, followed by Adobe Photoshop at **56%** utilization.



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 **75%**.

- **Marketing and Promotion.** In 2020, **87%** of the respondents of the survey indicated that Previous clients/repeat work was the most effective marketing strategy. Followed by Referrals work at **86%**, Personal visits and contracts at **70%** and Proposal preparation at a distant **36%**
- **Sources of Change.** In 2020, **42%** of the respondents to the survey indicated that Niche/Market Specialization would have a significant impact on their practices in the next 5 years. Followed by the Growth of Canadian Markets at **36%** and the Increased use of Advanced Technology at **36%**.
- **Sustainable Design.** In 2020, of the respondents to the survey, **52%** provide design or consulting services related to sustainable design, a decrease from **63%** in 2011.