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breaking the circle

how do you say goodbye to a partnership and reinvent a practice?

By CHERYL WEBER

Life is short, people sometimes say, to convey the idea that you should do what makes you happy. But now that we're living longer and retiring later, the opposite is also true, though the meaning is essentially the same: Life is long, so look ahead and pace yourself. Rather than being too single-minded about it, there's probably time to test out new ideas, dreams, and directions. Or, as T.S. Eliot poetically put it, “there may be time for a hundred visions and revisions before the taking of a toast and tea.”

That's more or less what Christopher Hays, AIA, was thinking a year ago, when he left a satisfying partnership at William McDonough & Partners, Charlottesville, Va., to do something he'd dreamed of since he was in seventh grade: head up his own architecture practice. “Architecture is a long, slow profession,” he says. “It's easy to get on a track that may be interesting and exciting, but how that relates to a long-term vision is something that's important to continue to gauge against. Life is long, and there's opportunity for many kinds of professional experience.”

That sentiment is very 21st century. This is not our parents' workplace, where management-level employees strove for tenure or partner status and then toiled away until they retired, out of loyalty or for fear of starting over. Today, many architects who are part of a firm's inner circle eventually reach a personal turning point and decide to move on. There may be personality conflicts with the other principals; perhaps they want a different kind of practice or a different focus, or they're simply relocating to another part of the country. Regardless of the reasons, starting over is a journey that's exhilarating in its freedom yet is logistically akin to a divorce—sometimes psychologically, too. So how do architects extricate themselves from the tentacles of a firm and go on to invent a new professional life?

With partner-level turnover increasingly common, smart firms have devised exit agreements that make things easier for everyone. Spelling out issues such as the formula for cashing out of a firm and the rules governing competition for clients and employees can minimize 11th-hour lawyering, which threatens to sour relationships. Even so, those contracts are rarely written with the best interests of the departing partner in mind. “Everybody signs one, not because you think you're going to leave, but because you want to keep the other partners from leaving,” says attorney Paul Lurie, of Schiff Hardin, in Chicago. “They get signed for good business reasons, but you still need to look at the implications of the restrictions and negotiate the terms when the time comes.”

the spin-off When Jeff Davis, AIA, parted ways with Cline Davis, the Raleigh, N.C., firm he and Gary Cline had founded in 1989, they were at the pinnacle of their success. The firm had grown to 65 employees and a handful of partners, with residential, planning, recreational, and institutional projects spread across four states. But along with the project mix, the interpersonal dynamics had shifted over the years. “I'm more of a hands-on architect, and when you get to be that size, it's not hands-on anymore,” says Davis, who specializes in community planning. When he left the firm in 2000 to start a smaller but competing practice, a detailed separation contract drafted years earlier helped to ease the turbulence.

As agreed, work in progress fell out along principal lines. Davis took the projects he'd brought to the firm and on which he was principal in charge. The payout was straightforward, too, because the formula for determining the company's value was already in place. Davis cashed out his shares, and the outstanding receivables roughly matched the equity he was owed. The partners also met with their insurance carriers to figure out who would assume liability for past projects. Since Davis took 30 percent of the company, it made sense for him to also take legal responsibility for the projects on which he was architect of record.

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"The physical stuff like money and equipment was real easy," Davis says. "But I took 22 people with me as well. It doesn't get contentious until you start messing with the manpower balance." In negotiations, the partners had agreed that Davis could invite the staff he wanted to go with him. He prepared offers for 25 employees, letting the partners know whom he'd contacted so that they could make counteroffers. "It's either that, or you leave in the middle of the night with a group of people," Davis says. "We were trying to be very much above board." To ensure that the word on the street was equally upbeat, their attorneys suggested that they jointly hire a writer to cover the breakup. "We hired a guy with good political instincts who interviewed us and put a positive spin on the whole thing," Davis says. "This went into the *Triangle Business Journal*. I think we were the largest firm in the area, so it was quasi-newsworthy."

dividing lines and liabilities Even when everyone is on their best behavior, breaking up is hard to do. There are years of professional relationships to untangle, tough decisions to be made about what to take and what to leave behind, and insurance complications to sort through. Noncompete clauses address the issue of employee poaching, but they can be ethically uncomfortable and may be unenforceable. A more elegant solution is the gentlemen's agreement, a code of honor that mediates the interests of both parties. "The thing to keep in mind is that staff choose who they want to work with," says Hugh Hochberg, a partner at The Coxe Group, Seattle. Still, he recommends abiding by the rules of a separation agreement, particularly if a financial payout is at stake. "It doesn't make sense to put that at risk by violating a noncompete agreement," he says, adding that firms ought to revisit their position to make sure that it's reasonable.

The same philosophy applies to clients. Smart firms want them to be well-served, and if clients want to accompany the departing partner, it's unwise to lock them in. "Put yourself in the client's shoes, and figure out what's best," Hochberg advises. "One of the arguments is that if you give up a project, you're giving up the potential profit. Yeah, live with it."

Donald Rattner, AIA, drew similar lines in the sand when he left Ferguson Shamamian & Rattner, New York City, to found the Studio for Civil Architecture in 2002. The old office had three operating studios, with each partner responsible for a roster of projects and client relationships, so each of Rattner's clients made the transition with him. "It would have been difficult to imagine it any other way," he says. He and the partners did negotiate on the staff that Rattner would be allowed to invite along. And, like Davis, they all sat down with their insurance agents to assign liability for past projects and work in progress, should a claim arise. More discussions ensued between Rattner and FS&R's circle of professional consultants—lawyers, insurance agents, and accountants—some of whom he retained for work with the new firm. "You need to address in advance how the relationship might work, should a dispute arise between the two firms." Rattner says.

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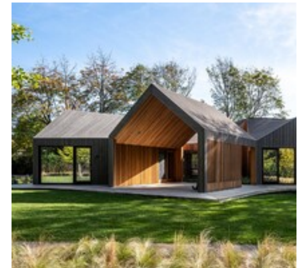

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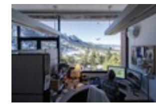

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