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NAX NETZWERK ARCHITEKTUR EXPORT

GRAFT

GROWTH AND ORGANIZATIONAL STRUCTURE OF ARCHITECTURAL FIRMS

GRAFT

Berlin, Germany

Introduction

GRAFT, a multidisciplinary architecture and design firm, has established itself as a prominent player in the fields of architecture, urban development, product design, and beyond. Founded in Los Angeles in 1998 by German nationals Lars Krückeberg, Wolfram Putz, and Thomas Willemeit, GRAFT has grown organically, (i.e. without having to take over other studios) over the years, expanding its presence globally before consolidating operations in Berlin. The firm is known for its innovative approach to design, its commitment to crossing disciplinary boundaries, and its focus on creating spatial designs that merge functionality with aesthetic appeal.

Company History and Founding

GRAFT was conceived as a studio for architecture, urban planning, design, music, and the pursuit of happiness. The founders, who met while studying in Braunschweig, Germany and moved to the USA after graduation to add a Master's degree to the German diploma, were driven by a shared desire to explore new ideas and push the boundaries of traditional architecture. The company was established in Los Angeles without an initial project or significant financial backing, relying instead on the founders' ambition t build a reputation through various small projects, including garage renovations and some unpaid commissions.

As the firm gained traction, it expanded its operations, opening an office in Berlin in 2001 and later in Beijing in 2004. A major milestone in GRAFT's growth was a large-scale project in Dubai, "Hotel America", in 2007, which significantly expanded the team from 24 to 85 but also exposed the firm to the vulnerabilities of global economic shifts, particularly during the financial crisis of 2008. Not only the project "Hotel America" in Dubai but other projects of GRAFT were being financed by Lehmann Brothers directly. This period of rapid expansion followed by sudden downsizing highlighted the importance of strategic planning and diversification in the firm's operations.

Growth and Development Strategy

GRAFT's growth has been largely organic, driven by the partners' refusal to turn down interesting projects rather than a deliberate strategy to expand. The firm's expansion into various disciplines beyond architecture, including exhibition and product design, art installations, and academic projects, reflects its commitment to interdisciplinary innovation.

In 2014, GRAFT founded Graft Brandlabs, a subsidiary focused on communication design and brand strategy. This move was motivated by the realization that GRAFT's innovative ideas were often being utilized by external agencies. The agency has since been reintegrated into the main business of GRAFT.

We asked GRAFT how their organisational structures changes with growth:

Small Firm (Under 20 employees):

- In a small firm with fewer than 20 employees, the founders typically manage most tasks themselves. One might handle finances, while another manages HR-related issues. There may be a need for an additional employee to handle taxes and billing. The overall structure is flat, with minimal specialization since the team is small enough for the founders to maintain direct control over all functions.

Medium sized Firm (Around 40 employees):

- Public Relations: At around 40 employees, the firm reaches a point where a more formalized structure becomes necessary. A dedicated person for public relations (PR) is important to manage the firm's external image, communication, and marketing efforts.
- Administration: The complexity of managing a larger team and multiple projects requires at least two individuals dedicated to office management, HR and administration. You need to be structured and have the support to manage the various facets and disciplines within a company. These roles help ensure smooth daily operations, including project scheduling, resource allocation, and general office management.

Large Firm (Around 80 employees):

- Quality Management Framework: As the firm grows to 80 employees, a quality management system becomes essential to maintain high standards across multiple projects.
- Specialists for Key Areas: Specialized roles are needed to handle more complex functions:

    - BIM Management: A specialist in Building Information Modeling (BIM) is required to manage the technical aspects of project design and implementation.
    - Human Resources: With more employees, a dedicated HR professional is needed to manage recruitment, employee relations, and compliance with labor laws.
    - Contract Management: A specialist to handle contracts and legal matters becomes necessary due to the increased volume and complexity of projects.
    - Public Relations: A more robust PR team may be needed to handle media relations, marketing, and branding strategies.

- Administration: The administrative team expands to handle the increased workload, with around 8 employees dedicated to these specialized tasks.

- Financial Management: The firm's financial operations become more complex, necessitating a dedicated Chief Financial Officer (CFO), ideally someone with an architectural background who understands both the creative and financial aspects of the business.

Very Large Firm (120+ Employees):

- Business Development: At this scale, significant investment in business development is crucial. The firm likely has a dedicated department for this purpose, with teams traveling globally to secure projects and clients.
- Direct Acquisition of Projects: This team might engage in direct client acquisition and participate in high-stakes negotiations for major projects, such as master planning for cities or large-scale architectural developments. These activities are essential for sustaining growth and securing the firm's position in the market.

Despite reaching a peak size of 135 employees in 2016, the firm has since stabilised its workforce at around 84 employees, a number that aligns with the partners' ideal office size of 80 to 120 people. This stability has been achieved by consolidating operations in Berlin and closing the offices in China and the USA.

L-R: Thomas Willemeit, Lars Krückeberg, Sven Fuchs, Wolfram Putz, Georg Schmidthals

Current Organisational Structure

GRAFT was conceived as a studio for architecture, urban planning, design, music, and the pursuit of happiness. The founders, who met while studying in Braunschweig, Germany and moved to the USA after graduation to add a Master's degree to the German diploma, were driven by a shared desire to explore new ideas and push the boundaries of traditional architecture.

- **Three founding partners** who oversee all operations.
- **Three additional partners**, one of whom handles HR responsibilities.
- **Communications department** with four staff members.
- **Administration staff unit** consisting of six employees.
- **Nine directors** who lead various projects.
- **Eighteen project managers** who oversee the execution of projects.
- **Approximately 40 architects** employed as general staff.

GRAFT’s organisational structure is characterised by a flat hierarchy where the three founding partners are deeply involved in all aspects of the business.

This flexible structure allows GRAFT to deploy its architects based on their experience and skills, ensuring that employees are engaged in phases of projects that match their strengths and interests. This approach not only promotes job satisfaction but also ensures that the firm can maintain high standards across all project phases.

Challenges and Lessons from Growth

GRAFT's journey from a small studio to a larger firm has not been without challenges. The transition from an office of 10 to 20 people, where everyone knew each other personally, to a larger organization required the implementation of more formal communication structures and routines. As the office size grew, so did the complexity of managing the firm, particularly in terms of maintaining effective communication, ensuring information flow, and managing administrative tasks.

The global financial crisis of 2008 was a pivotal moment for GRAFT. The sudden halt of projects due to the economic downturn underscored the importance of diversification and strategic planning. Since then, GRAFT has broadened its service offerings to include all phases of project management, ensuring a more stable and resilient business model.

Organisational and HR Management Insights

GRAFT's experience highlights the critical importance of both organisational structure and HR management in sustaining growth. The firm learned that as an office expands, the focus must shift from merely attracting talent to retaining it. This involves creating an environment where employees feel valued and ensuring that the firm's processes are structured to prevent burnout and overwork.

The firm's HR strategy has evolved to address the needs of a larger workforce, including the implementation of office manuals and clear procedures. This structured approach has helped GRAFT maintain a high level of planning quality, which is closely linked to employee tenure.

Working Internationally

GRAFT's international experience, particularly in China and the USA, has reinforced the importance of local partnerships when entering foreign markets. The firm's ventures abroad underscored the need for a strong local network and the advantages of having local partners who are authorized to handle legal and regulatory requirements.

GRAFT's founders emphasize the need for a significant presence in foreign markets, including regular on-site visits and the establishment of a local office, to build trust and reputation.

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Advice for Growing Firms

For young architecture firms looking to expand, GRAFT's experience offers several key takeaways:

- **Communication is crucial:** As an office grows, effective communication becomes vital to maintaining cohesion and ensuring that employees remain engaged and informed.
- **Tailor solutions to your firm:** There is no one-size-fits-all solution to organizational challenges. Each firm must find what works best for its unique situation.
- **Focus on diversity and uniqueness:** A diverse range of projects and a clear demonstration of the firm's uniqueness can attract and retain top talent as well as protect against economic downturns.
- Strategic growth: Growth should be managed strategically, with a focus on maintaining a balance between innovation and stability.

Conclusion

Reflecting on GRAFT's journey, the founders affirm that their path of growth and exploration was indeed worth the effort. The experiences gained and the relationships built across the world have enriched their professional and personal lives. Looking forward, the firm's challenges include maintaining its spirit while transitioning leadership away from the founders and continuing to innovate in new project typologies.

In summary, GRAFT's evolution from a small, ambitious studio to a globally recognized firm offers valuable insights into the challenges and opportunities of growing an architecture business. The firm's story underscores the importance of adaptability, strategic planning, and the ability to learn and evolve from past experiences.

We would like to thank Lars Krückeberg, Founding Partner, and Sven Fuchs, Partner, for participating in an interview on August 19, 2024, which served as the basis for the information presented in this report.

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