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NAX NETZWERK ARCHITEKTUR EXPORT

zanderroth

GROWTH AND ORGANIZATIONAL STRUCTURE OF ARCHITECTURAL FIRMS

zanderroth GmbH

Berlin, Germany

Introduction

zanderroth was founded in 1999 on the occasion of a direct commission for a family-home. Upon gaining his Architectural qualifications in Aachen, Düsseldorf and London, Sascha Zander founded the company together with Christian Roth. Their very first commission was in fact their first respective architectural jobs following their studies.

Company History

To this day the office is guided by the vision of building interesting houses, not the pursuit of rapid growth.

In the case of zanderroth, scaling meant growing from 2 to 30 employees, which took around 25 years. Today, Zanderroth generates half of its business through their own project developments. They have developed around 15 projects with 38 houses themselves. Zanderroth also works for private clients and corporate groups.

The motivation to develop their own projects was driven by the two founding partners common desire to build the way they had envisioned them. Building culture should play a greater role than purely commercial aspects. That means they were intrinsically motivated and less motivated by money.

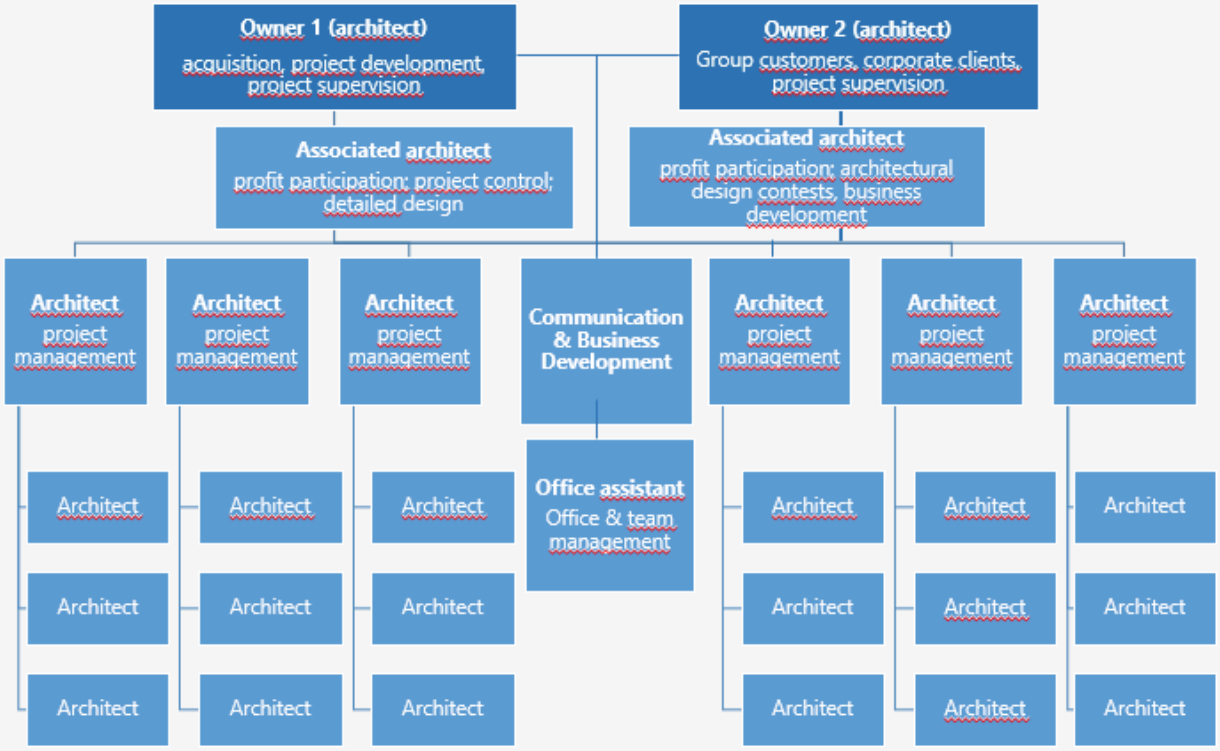
Within the first three years of founding, the two founders had the impression that building in Berlin was very backward-looking. Many of the new residential building projects looked like Wilhelminian-style projects. But since they studied at modern universities, they wanted to build differently. This was what motivated them to start developing projects themselves. Growth then came naturally.

This meant that they were ultimately also responsible for the financing and the sale and thus moved in the direction of project development. To develop housing projects is a different business than to design houses. For zanderroth this was an opportunity to give their architecture more influence in housing construction.

Organisational Structure

Today zanderroth still has two owners who serve as managing partners. One owner is taking care of corporate clients, the other has his focus on developing own projects. They are assisted by two senior architects (associated architects) who also have managing roles in the architectural firm. They don´t own shares in the company so far, but have a profit participation scheme. One of them is in charge of architectural design competitions, the other is in charge of detailed design and controlling.

Organisational Chart of zanderroth GmbH



zanderroth employs 6 project managers, heading each a team of 3 architects on average. At its current size, zanderroth doesn't need an HR department or an accounting team.

The firm is set up as a limited liability company, a so-called German GmbH. For each project development a separate limited liability company is founded to shield against risks. As a parent organization for zanderroth GmbH there´s a holding company.

Team Photo zanderroth GmbH

Photo © Till Budde

Organisational challenges

The founders of zanderroth state the biggest challenge when becoming a mid-sized architectural firm is to ensure continuous work and capacity utilization, but at the same time not to risk an overload.

What characterizes zanderroth is that the firm has always grown from within and has never borrowed money. Ultimately, the trick is to complete more orders in less time without making a loss. Due to the difficult economic situation, zanderroth started to realize their own projects and change their perspective in 2005.

What has become much more difficult today is being able to bid for certain construction contracts at all, because you first must prove that you have the expertise to build them. While this is a form of quality assurance from the builder or developer, it does not make it easier for young and smaller architectural firms.

In recent years, the focus hasn't had to be on tenders, applications or schools. zanderroth founds limited partnerships, which then buy plots of land and take on partners. They then use the partners' capital to realize the construction projects, which range in size from 10 to 400 apartments. Sascha Zander explains that "the difference in quality is that we generally realize better houses within these constructions because we have more money available for the buildings when we develop the projects ourselves." Basically, this is an extension of the value chain.

However, zanderroth also builds for housing associations and is involved in social housing construction.

Christian Roth &
Sascha Zander

Leadership and HR Management

If you compare the office in its current size with the past, then one difference is that the two owners no longer carry out their own projects, and are only active in project initiation, oversight until building permits and supervision.

It is important to make an effort to ensure that everyone is sufficiently informed about the architectural office and to strengthen company cohesion. That´s why once every month the 2 owners organize a meeting with all project managers. Topics are reports on the current status of the different projects, project controlling, hours spent on the projects, difficulties in the projects and most important successes.

zanderroth sees their financial strategy as one success factor: Zanderroth has a strong reserve structure and profits are not withdrawn. This is especially important, as zanderroth has already been close to bankruptcy twice at the beginning of the 2000s.

In the process of growing as an architecture firm, the founders admit, you can never be sure you won't make a mistake. However, making mistakes, which may be costly, is probably part of the growth process. To avoid these mistakes or at least to minimize them as much as possible, zanderroth had good consultants to help them on their way.

zanderroth works on projects across Germany, mainly in the Big-7 cities, but not abroad. It is therefore not possible for the founders to give a good assessment of how working abroad affects the organization of an architectural practice.

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Cooperation

Normally, Zanderroth does not provide construction management, but instead contracts with other architectural firms. Apart from that, Zanderroth rarely cooperates with other architects. That doesn´t mean that Zanderroth hasn´t been cooperating with other architects in the past, but that didn't happen very often. The two partners try to keep value creation in-house, what is one reason to develop own projects.

HR Management

Zanderroth had no set plan for how many people to hire and when. To quote Sascha Zander: „If you implement several projects, you need more people, it's as simple as that.“ Employed architects spend on average many years with Zanderroth. 5, 6 or even 10 years of service at Zanderroth are no exception. Over the years, approximately 120 people have been employed at zanderroth.

The success factors for the development of the firm are considered to be a versatile skill profile and employee loyalty. Employee loyalty is extremely important at Zanderroth. In the last 25 years, there have only been 5 layoffs, either because there wasn't enough work or there just wasn't the right fit. Career options, salary and the variety of tasks at zanderroth are rated very highly in employer assessment portals.

Today (in 2024) hiring new staff is no problem for zanderroth, also due to the size achieved. In the past during their growth process and in years with a different labor market than today it was a bottleneck, though. The new generation of architects today is different and pays much attention to work-life-balance. This will of course mean a change in the way how to attract and retain talent.

The two owners are assisted by two senior associated architects who also have managing roles in the firm. zanderroth uses the so-called lockstep system, a profit participation scheme in which remuneration is based on length of service. In principle, the associated architects initially receive the same salary. Their profit share is increased year on year (i.e. according to seniority) up to a maximum level (reached after ten years). The system is based on two fundamental assumptions: that all participants contribute equally to its success, and that younger participants benefit from older ones. The lockstep system was traditionally widespread among German law firms.

Personal Reflections

Looking back, the founders of zanderroth as architects feel very positive about the development of their firm:

zanderroth believes the growth path was the right decision for them. It was necessary in order to be able to work on larger projects. With many small projects it is hard to survive. Their size gave Zanderroth the advantage of having no financial worries most of the time.

In the view of the founders, it was worth all the effort, but it had a high price of long working hours, especially in the beginning due to a lack of knowledge. 60 hours a week meant not seeing the family much.

To work 60 h a week is not recommendable. A healthier work-life balance relation is something that that can be wished for the next generation. On the other site the next generation already pays a lot and maybe too much attention to work-life-balance. It would be nice, too, if the next generation had it easier to earn a decent income from architecture.

zanderroth today has reached a development stage where organizational challenges are all solved so far, employee fluctuation is not a problem. Greater challenges and obstruction of business for zanderroth are working together with German administration, slow planning authorities and missing demolition permits.

Photo © Simon Menges

Conclusion: Advice for Growing Firms

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

- **Size makes all the difference:** the smaller the planning studios are, the less likely they are to win large construction contracts. With many small projects it is hard to survive. This is a reason for architectural firms to grow and reach a size necessary to work on larger projects. zanderroth avoids the problem by developing the projects themselves.

- **Growth as a side effect of a clear USP:** zanderroth has embarked on a path of growth, despite not initially setting out to do so. The founders had the vision of building interesting houses. It was their success that made the company grow, not the implementation of a strategic plan.

- **Keep the administration small and ensure good capacity utilization:** The example of zanderroth shows that a studio of around 30 people can be successful without staff units, accounting or HR departments. A big challenge is to ensure continuous work and capacity utilization, but at the same time not to risk an overload.

- **Success factors** for the development of the firm are a versatile skill profile and employee loyalty. Career options, a decent salary and a variety of tasks are essential to support this.

- **There is not just one effective way:** Asked if there would be one recommendation for younger architects in a situation like theirs 25 years ago, the founders find it hard to give general recommendations: "Each firm must find its own way according to its market environment."

We would like to thank Sascha Zander, CEO for participating in an interview on July 23rd, 2024, which served as the basis for the information presented in this report.

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BUNDESARCHITEKTENKAMMER E.V. /
FEDERAL CHAMBER OF GERMAN ARCHITECTS

ASKANISCHER PLATZ 4
10963 BERLIN

WWW.NAX.BAK.DE

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