PRIORITIZING QUALITY OVER PROFIT: VALUE TRADE-OFFS WITHIN ARCHITECT-CLIENT RELATIONS

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Architectural service delivery involves a complex system of economic and quality related value dimensions, which are mutually dependent and prioritized differently by actors. Responding to professional logics as well as organizational logics, value creation goals of architects and clients are multidimensional, resulting in tensions within and across collaborating organizations. Value related tensions are evident in organizations, as has been illustrated by paradox research. However, studies on how these tensions are handled in the interaction process of collaborating organizations are still fairly limited. This explorative research focusses on value trade-offs within architect-client relations. Twenty in-depth interviews with architects and their respective clients are used to explore how economic and quality related values are negotiated by actors from collaborating organizations. Results indicate that the value negotiation process is largely dominated by tensions between profit and project quality. An analysis of two situations provides in-depth information on how architects and clients either follow an individual or mutual strategy to prioritise quality over profit. This research contributes to the theory development on value management in the construction process and helps practitioners to more consciously and efficiently handle tensions in order to improve shared value creation.

Keywords: architect-client interaction, collaboration, paradox, value.

INTRODUCTION

Over the last couple of years the construction industry and field of architecture have been characterized by a series of profound changes. Corresponding calls for new ways of service delivery and alternative modes of collaboration have deeply impacted existing organizations, requiring them to develop new business models or alter their existing ones. Architectural services are characterized by a complex system of economic and quality related (e.g. functional, symbolic and emotional) value dimensions. These value dimensions are mutually dependent and prioritized differently by actors that are involved. As one of the sectors of our cultural economy, value creation activities within the field of architecture are driven by the importance of symbolic and aesthetic aspects (DeFillippi et al., 2007). While delivering a creative service, organizations involved in architecture projects are facing dual goals. On the one hand they are driven by a professional ethos to generate new ideas, on the other hand they follow organizational and corporate logics to make money. This paradoxical tension (e.g. Smith and Lewis 2011) characterizes professional service delivery and is an example of the many paradoxes that architects confront regularly (DeFillippi et al.).

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Previous years of abundance made it quite easy to generate plenty of economic benefits from architectural service delivery. Recent trends towards extreme competition and tight fees however, have forced organizations to carefully balance the economic and quality related aspects of their value creation. Trying to make sense of their own value creation and uncovering scenarios for improvement, actors show a growing interest in their business model design.

Besides exceptions of standard production or long-term collaboration, architectural projects are mostly unique, constantly involving new constellations of different clients, teams and people (Jones et al. 1998) and new value discussions between the actors. With the involvement of different stakeholders and different value grounds in construction projects, creating value often involves conflicts or tensions (Boltanski and Thévenot 2006; Lepak et al. 2007). These value related tensions must be handled in intra- and inter-organizational interaction processes (Bygballe and Jahre 2009).

This explorative research focuses on tensions stemming from the duality between economic and quality related value dimensions in the interaction process between collaborating architectural firms and client organizations. Architectural firms help their clients to achieve a desired outcome by mediating between the demand and supply side during the design and construction process. Although professions in the built environment have seen their roles change in recent decades (Duffy and Rabeneck 2013, Hughes and Hughes 2013, RIBA 2012), the architect-client relation is still crucial within architectural service delivery. This research investigates how collaborating architects and clients handle tensions between economic and quality related values. While acknowledging the paradoxical nature of value creation within architectural service delivery (e.g. Andriopoulos 2003, Smith and Lewis 2011), this research helps to gain insight in the value negotiation process of architect and client organizations. Based on twenty in-depth interviews with architects and clients the following research question is answered: How do architectural firms and their clients deal with the tension between economic and quality related value in their interaction process?

THEORETICAL BACKGROUND

Organizational value

Value is at the core of how organizations work. The way in which an organization creates, delivers and captures value in relationship with a network of exchange partners defines its business model (Afuah and Tucci 2001, Osterwalder and Pigneur 2010). Organizations create value in many different ways and for many different targets, such as business owners, employees, customers or clients, end-users and society (Lepak et al. 2007). So far, value has been conceptualized differently in various research fields. In the management and economics literature, value creation and capture remains largely focused on monetary aspects. In sociology, value is often studied from a broader perspective, including cultural, symbolic and emotional grounds as well. However, a systematic and integrative approach to think about value and valuation is still in development (Lamont, 2012; Vatin, 2013). Valuation is a vital process for any productive activity and inherently social. The process of valuation has two sides: 1) the production of value, i.e. the process of valorization, and 2) the assessment of value, i.e. the process of evaluation (Vatin 2013). Organizations will not know what the created value is worth until it is exchanged (Bowman and Ambrosini 2000). Stemming from different logics of worth, individuals justify their actions differently (Boltanski and Thévenot 2006). Boltanski and Thévenot identified six
'worlds' that define how value is created and assessed: the inspired world, the domestic world, the world of fame, the civic world, the market world and the industrial world. Something that is valuable in one world may be considered worthless in another. Due to the complex organizational nature and the different logics of worth people respond to, valuation in the activity of work involves various judgements and corresponding tensions within and outside the organization (Smith and Lewis 2011).

In architecture, the inspired world, the world of fame, the civic and the market world are closely interrelated. While value can be attributed to originality and creativeness based on logics from the inspired world, the opinion of critics, clients or users from the world of fame is necessary to build a reputation. As in other creative services a distinction between ‘praise value’ and ‘price value’ can be recognized (Hutter 2011).

Civic logics play an important role as architects work from a professional ethos to serve the collective interest (DeFillippi et al. 2007), whereas market logics, characterized by a desire for and competition over valuable resources, are important to gain competitive advantage. The complex system of mutually dependent value grounds makes it difficult if not impossible to talk about architectural value. Value within architectural service delivery is unique for every project and continuously involves various logics, perceptions and interests of stakeholders.

Handling value related tensions

When perceptions of value and value related goals differ between stakeholders, they result in tensions within an organization or its collaborative process with other organizations. Tensions are a natural phenomenon within organizational systems, as these systems constantly change in response to competition or evolving demands and involve different stakeholders (Smith and Lewis 2011). As Smith and Lewis point out, these tensions can be dealt with in two ways. Organizations can either follow a contingency approach, choosing their most effective option, or they can follow a paradox approach, choosing to accept the existence of tensions and multiple options. This approach is the basis of paradox theory and especially usable in complex, dynamic contexts. Paradox theory provides an interesting perspective to study the process of value creation. As a field of research it aims to develop a better understanding of how tensions impact organizational life. Paradox theory assumes that tensions are both an integral characteristic of organizational systems as well as a social construction, and that tensions can be beneficial if handled correctly. Paradoxes are defined as “contradictory yet interrelated elements that exist simultaneously and persist over time” (Smith and Lewis 2011). They involve underlying tensions in elements that seem logical when viewed separately, but do not make sense in relation to other elements. Paradoxes are different from dilemmas and dialectic tensions in the way that paradoxes cannot be resolved. However, they can be balanced by following a ‘both/and’ approach instead of an ‘either/or’ approach (Smith et al. 2010).

Within organizations, tensions can be allocated to four categories of paradoxes: paradoxes of belonging, learning, organizing and performing (Smith and Lewis 2011). Based on earlier research by Poole and Van de Ven, Jarzabkowski et al. (2013) identify four examples of strategic responses to organizational paradoxes. The first response, splitting, involves separating elements temporally or spatially. With the strategy of suppressing, organizations pursue specific elements over others. The third opposing response, is used when different organizations support contradictory elements. Finally, the adjusting approach involves accommodating each other’s needs by recognizing that needs of both parties are important and interdependent. The first
three strategies are defensive and can only be used for a short-term performance. The fourth strategy is an active strategy that also enables longer-term relief. Accepting the existence of tensions and responding to contradictory but interrelated demands simultaneously can support a sustainable organizational development.

**RESEARCH APPROACH**

To address the value interaction process within architectural service delivery, an inductive qualitative approach is chosen (Miles and Huberman 1994). Twenty in-depth interviews with architects and their clients are used to analyse how both parties deal with the existence of multiple and possible contradictory values in their interaction process. The interview sample consists of Dutch architectural firms between 10 and 40+ people, which all have design at the core of their business model, and three types of Dutch client organizations: contractor, housing corporation and project developer. The respondents are referred to as architect A1 to A9 and client C1 to C9. Table 1 presents an overview of the sample. The interviewees were chosen from large housing projects that were realized in the Netherlands in 2013 or 2014. New housing projects are responsible for 51% of the net turnover of architectural firms in the Netherlands (Vogels 2014). Therefore, they represent an important focus for a large amount of architectural firms and client organizations. The collaboration of the architectural firm and client organization in the project was used as an entry to the conversation in order to discuss value trade-offs from an architect and client perspective.

Table 1: Overview of respondents

<table>
<thead>
<tr>
<th>Respondent</th>
<th>Type of respondent</th>
<th>Type of organization</th>
</tr>
</thead>
<tbody>
<tr>
<td>A1, A2, A3</td>
<td>Architect partner</td>
<td>Small architectural firm (10-20 people)</td>
</tr>
<tr>
<td>A4, A5, A6</td>
<td>Architect partner</td>
<td>Medium sized architectural firm (20-40 people)</td>
</tr>
<tr>
<td>A7, A8a-b, A9</td>
<td>Architect partner</td>
<td>Large architectural firm (40+ people)</td>
</tr>
<tr>
<td>C1, C4a-b, C7</td>
<td>Project leader or director</td>
<td>Contractor</td>
</tr>
<tr>
<td>C2, C5, C8</td>
<td>Project leader or director</td>
<td>Housing corporation</td>
</tr>
<tr>
<td>C3, C6, C9</td>
<td>Project leader or director</td>
<td>Project developer</td>
</tr>
</tbody>
</table>

Each interview lasted for approximately 1,5 hours and focused on different dimensions of value (economic, functional, symbolic, emotional) as well as their interdependencies from the viewpoint of the architect and the client. Furthermore, it was discussed how value related tensions within the architect-client interaction process were negotiated by the collaborating organizations. A semi-structured interview protocol was used to address the different topics. Archival materials were collected to prepare for the interviews, to expand the understanding of the organizational context, and to reinforce or question the findings of the interviews. All interviews were audio taped and transcribed verbatim. The transcripts were checked by the respondents and the suggestions for minor alternations were implemented.

Following the Gioia methodology (Gioia et al. 2013), different data analysis steps were used to enhance grounded theory development. In the first step, the technique of context mapping (Sleeswijk Visser et al. 2005) was used to identify and categorize informant-centric 1st-order terms, resulting in an overview of architect and client related codes. The second step involved a systematic examination of the dataset in which the 1st-order codes were organized into 2nd-order themes by the researchers.
The first and second step of the analysis generated insight into different aspects of value and their interdependencies from an architect and client perspective. An overview of the data structure is given in table 2. Thirdly, differences and similarities between the data of collaborating architects and client representatives were looked for in order to examine the value interaction process between the collaborating organizations in detail and to uncover underlying aspects and responses. The analysis presents first insights in the negotiation practices used by architects and clients to deal with tensions between economic and quality related values. Future steps include a profound analysis of the data set with the use of software program MAXQDA as a supporting tool. Moreover, the findings will be consolidated in a feedback workshop with partners from the construction industry.

Table 2: Data structure

<table>
<thead>
<tr>
<th>Value foundation / logic of worth</th>
<th>Value component</th>
<th>Examples from architect perspective</th>
<th>Examples from client perspective</th>
</tr>
</thead>
<tbody>
<tr>
<td>Economic</td>
<td>Profit</td>
<td>Profit is not a target, firm continuity is</td>
<td>Desire to make profit and nice projects in collaboration with other actors</td>
</tr>
<tr>
<td></td>
<td>Firm continuity</td>
<td>Aim for a number of stable assignments, firm continuity is important for clients</td>
<td>Objective to make something that has quality in order to guarantee continuity</td>
</tr>
<tr>
<td></td>
<td>Commercial relationship</td>
<td>Collaboration with other partners of the value chain</td>
<td>Aim for trust and relationships with clients</td>
</tr>
<tr>
<td>Functional</td>
<td>Lay-out &amp; comfort</td>
<td>Own added value consists of combined functional translation and experience</td>
<td>Role architect is to solve complicated functional and technical puzzles</td>
</tr>
<tr>
<td></td>
<td>Sustainability</td>
<td>Use of good materials to guarantee long-term quality</td>
<td>Desire to make objects that are needed during their whole exploitation</td>
</tr>
<tr>
<td>Symbolic</td>
<td>Aesthetic appearance</td>
<td>Desire to make something distinctive in its quality</td>
<td>Unique appearance is not a goal in itself, but a nice additional feature</td>
</tr>
<tr>
<td></td>
<td>Urban implementation</td>
<td>Realise objects that fit within their context and are able to realise quality of life</td>
<td>Infill developments with complex location conditions ask for a quality based decision concerning the choice of the architect</td>
</tr>
<tr>
<td></td>
<td>Societal impact</td>
<td>Purpose is to create happiness by adding value for society</td>
<td>Purpose is to direct the livability of a neighbourhood</td>
</tr>
<tr>
<td>Emotional</td>
<td>Personal driver</td>
<td>Look for work that fits the people and culture of the firm</td>
<td>Besides profit, pride of the project is an important driver nowadays.</td>
</tr>
<tr>
<td></td>
<td>Appreciation</td>
<td>Desire to build something that is appreciated by everyone: both peers and laymen</td>
<td>Serve the client in the best way possible</td>
</tr>
</tbody>
</table>

FINDINGS

Focussing on architect-client value negotiation processes, findings show that paradoxical tensions between economic and quality related values often revolve around conflicts between profit and project quality. Respondents stress how newly restricted financial possibilities due to the global financial crisis and changes in the industry have magnified already existing tensions. Both project budgets and service fees have decreased, forcing actors to carefully balance their own financial benefits with the desire to deliver a product of quality. Regarding the tension between profit and quality, several underlying aspects were recognized. Table 3 presents an overview of these underlying aspects, as well as illustrations from the interviewees’ responses.
Two situations are described in more detail to provide in-depth information about how paradoxical tensions between profit and project quality originate, evolve and are handled in the collaboration process between architects and clients.

**Table 3: Tension between profit and quality**

<table>
<thead>
<tr>
<th>Underlying aspects of tension</th>
<th>Illustration</th>
</tr>
</thead>
<tbody>
<tr>
<td>Architect is driven by a professional responsibility and personal ambition to create quality</td>
<td>Budget overflow is not prevented, emotion wins from financial aspects</td>
</tr>
<tr>
<td>Reputation is important for organizational continuity and dependent on the quality of projects</td>
<td>A good project provides a ‘boost’ around the world. Investing in a reputation is part of running a business</td>
</tr>
<tr>
<td>Internal organisation architectural firm prevents the firm from making profit</td>
<td>Project leaders keep on designing instead of translating the architect’s desire into realisable details</td>
</tr>
<tr>
<td>Lack of economic interest or expertise among architects</td>
<td>Profit should be more important, but is overshadowed by personal ambitions</td>
</tr>
<tr>
<td>Insufficient fee and too much project complexity to serve client properly</td>
<td>Architect wants to serve client in the best way possible, but tight fee makes this impossible</td>
</tr>
</tbody>
</table>

**Architect’s desire to realise quality**

A first situation concerns the case of architect A3 and client C3. In this case the architect did not know if any profit was made, but assumed there was not. Nevertheless he was sure that they spent too many hours on the project. The reason why more effort was needed was related to the involvement of an external drawing office, which required additional coordination, the internal organization of the architectural firm and the people working on the project.

“The project was too complicated and the quality of their [the external office’s] drawings did not match our standards. We ourselves would never have handed it over like this. So we had to spend a lot of energy to reach the current level. If we would not have done that, it would have looked completely different in terms of quality and appearance I am afraid, and that directly concerns our reputation.” (A3)

The architect explained that creating quality was necessary for the firm’s reputation. In his opinion reputation has two sides. First, they have to show clients that their money is in good hands, realizing projects that demonstrate an ability to deliver value for money. Second, reputation has to do with the personal motivation of their people.

“I would not be able to motivate myself every day to work on a project of which I am sure the level of quality that would be possible is not reached. [...] So in that case you just work a little harder.” (A3)

This architect was willing to work extra hours to guarantee that the desired level of quality was met. He explained that everyone in the office felt that same responsibility. In his opinion this has to do with personality, but is also inherent to the profession. Other architects agreed upon the existence of these underlying principles. Architect A9 described it as a higher purpose. He just wanted to build beautiful things. While architect A3 considered the additional effort necessary, his client argued that extra efforts by architects may also cause tensions within the architect-client interaction process. He illustrated his point by using an example in which an architect made a very elaborate drawing, while the decision-making process at that time would have benefitted more from a very rough sketch.
“It is also a shame, because when you are not careful, it could even lead to frustrations. ‘Look I have spent this amount of time’, yes, but it also concerns which choices we make at that moment.” (C3)

The fact that architect A3 was not aware of the financial consequences for his firm points towards a lack of interest in the matter and possibly a lack of expertise. The organizational structure of architect A7’s firm was especially equipped to anticipate this problem. A financial director was in charge of all financial negotiations. Architect A7 suspected that fees would on average be twenty to thirty percent less if architects would engage in financial negotiations themselves. He stated that since architects are emotionally involved, they are likely to settle for less.

This first situation shows how tensions between profit of the firm and quality related values were taken out of the architect-client negotiation process to be resolved inside the individual firm. The architect deliberately chose to work extra hours to ensure the level of quality he had in mind. The process in which quality is pursued over profit, while avoiding to discuss the matter with the client, was representative for several architects that were interviewed. As architect A9 states, it could be grounded in the fact that architects pursue a higher level of quality and a more elaborate role than the client is willing to pay for. This was also recognized in different opinions architects and clients have regarding the involvement of the architect during engineering and construction. While many architects considered an extensive role necessary to realise the desired amount of quality, clients often believed that architects do not possess the right expertise or are too emotionally involved to work efficiently in these stages.

**Mutual desire to realise quality**

The second situation involves an extraordinary housing project developed by architect A1 and client C1 on a noisy location that did not have any quality. On request of the client the architect studied the possibilities of the location and proposed a design that would attract inhabitants through its unique sustainable atrium. Because of the atrium the design exceeded the budget by far.

“And with this printout I went to our client and said: ‘Look, in this way you could make a building for the future. I know that it is too expensive, but couldn’t you go to the municipality? Wouldn’t [the municipality] also want a building like this? [...] They could turn it into PR, but then they would have to contribute financially.’ ‘Yes’, our client said, ‘I also need to find a buyer. I could show this image to the investor that declined the first time. [...] That investor saw the image and said, ‘Yes, we also need a sustainable building for a change.’’” (A1)

The architect noticed that with the design he triggered something in everyone. He saw the excitement of other actors when he showed the image and felt that there was a chance to make it happen. The location had been vacant for a long time, the buyer wanted a sustainable building and the client and architect both wanted to learn from such an experiment. With the involvement of the municipality and investor two out of three million would be covered. The architect and client recognized that the final million could be found when they would engineer the work in a very smart way. They decided to collaborate in a chain which involved construction partners as well.

“Then we said as a team: ‘Let’s be sharp in our fee. Let’s build a chain and work from the minimal amount we need to participate. So I neither want to make any profit nor any loss. These are our expenses. [...] If this works, we will have a formula and I would like to repeat it again.’” (A1)
The architect and client both needed the work to secure their reputation and organizational continuity. The distinctive design could be used as a showcase to acquire new work. They also saw opportunities for future workload with assured profit when they would be able to repeat their collaboration a second time.

In this project there was a clear tension between the financial value and the unique, sustainable quality of the design. This tension was present right from the beginning of the project and continued on during the rest of the process. By finding ways to accommodate the financial needs, the architect and client were able to realise the desired amount of quality. In their negotiation process, the architect and client agreed on the fact that they would not make any profit on the project. Although architect A1 stated that making profit is almost the only basis to establish a business, the project resulted in losses instead of profit. He already noticed that costs would get out of hand during the process, but continued on working. He wanted to finish the project, because the building was far too nice. Architect A1 illustrated that in this case emotional aspects overpowered business aspects. The financial losses would have to be compensated with another project. Client C1, who was experiencing difficulties with his organizational image being a traditional contractor, was especially driven by an aim to show the world what his organization could do. He prioritized aspects of reputation and organizational continuity over profit. Other clients made similar decisions. Client C9 hired a famous and thus more expensive architect, to make sure the project would get a unique appearance. He believed the appearance would contribute to the commercial value of the project, the city and its inhabitants. He claimed that as a result it also legitimized the existence of his organization. Aesthetic quality was also considered important for the building’s exploitation (client C5).

The two situations presented above, provide a detailed overview of ways in which architects and clients handle tensions between economic and quality related value dimensions. The situations show responses from either the architect or both actors to achieve a desired level of project quality instead of (a reasonable amount of) profit. Underlying aspects of reputation, organizational continuity and personal motivation were filtered out. Although in both cases the decisions to pursue quality over profit were deliberate, respondents argued that it would have been better if the balancing act had resulted in a larger amount of profit.

CONCLUSIONS

This paper focusses on value trade-offs in the interaction between architects and clients. Findings indicate that value negotiations within architectural service delivery are largely dominated by the interplay between profit and project quality. It appears that while balancing the desire to realise quality with the organization’s target to make profit both architects and clients show examples of prioritizing quality over profit. Although this prioritization was stronger in some cases than others, respondents agreed that the balancing act should have been carried out in a more informed way.

The negotiation processes used to deal with the tension between profit and quality show several underlying aspects. Architects mentioned a professional responsibility and personal ambition to create the largest amount of quality possible. The architects, working from a belief in delivering quality for society, sometimes sacrificed their own profit in favour of quality, even if the quality related value dimensions were not considered as important by the client. Besides, they believed that project quality is necessary to build or maintain their reputation. This reputation is directly connected to organizational continuity, as it is necessary to attract new clients or projects. The
prioritization of quality over profit from the client perspective shows underlying foundations of professional continuity and a concern for the project’s exploitation.

Results point toward the need for a better balance between profit and quality. While profit was deliberately sacrificed for the sake of the project, respondents argued that this is not a healthy basis for doing business. New business models should be able to deal with the paradoxical tensions between profit and quality and help architects and clients to maximize both aspects simultaneously. Architects and clients need to reconsider the decision-making process in which value is negotiated in order to enable quality as well as long-term financial security.

**DISCUSSION AND DIRECTIONS FOR FUTURE RESEARCH**

The findings have implications for both researchers who focus on inter-organizational value management and for practitioners involved in architectural service delivery. Further research into how tensions between profit and quality arise, evolve and are handled is necessary to improve our understanding of the negotiation process and consequently improve decision-making. It would be encouraged to analyse the decision-making process in more detail and possibly identify key moments necessary to enforce a better balance between quality and profit. It would be very interesting to see how collaborating actors could help each other to gain more benefits from dealing with paradoxical tensions between economic and quality related value dimensions. For practitioners, our findings provide some useful insights in how value related tensions can be handled more consciously within inter-organizational negotiation processes. Actors’ awareness of the goals and underlying principles at stake could enforce mutual and timely decisions and improve shared value creation.

This research focuses on the value negotiation process of complex housing projects in the Netherlands. Looking at other contexts, involving different ways of collaboration, legal structures or financial constraints, could generate a broader overview of the negotiation process. Standard housing projects or projects of another typology would most likely provide other results. Several respondents indicated that within standard housing projects for example, profit and quality are balanced differently. While quality is already ensured (e.g. repetition) or less of an issue (e.g. absence of a client), profit can be increased by using prefabrication or standardized building methods. Interviews included architect and client perspectives on value negotiation. Including all individual project participants is necessary to generate a more detailed understanding of the value trade-offs at play.

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