

Event Meeting Minutes - Cogence Alliance - NEO

DATE: November 14, 2018

TIME: 4:30 pm – 6:30 pm

LOCATION: Oswald Centre, 1100 Superior Avenue, Cleveland, OH

EVENT TITLE: Engaging the Experience to Benefit Our Projects

ROOM SET-UP: U-shape with Panelist table at front

PURPOSE: The mission of Cogence is to drive the industry together, yet for so long we have delayed the engagement of all of the stakeholders.

Thru our roundtables, collaboration is the common take-away. If we are going to change the market, then we need to drive a conversation that will expose the obstacles to early engagement and discuss how to overcome these obstacles. We must provide the stakeholders with talking points to have a dialogue on their projects to prove the value of early engagement.

Panel:

Ron Ratner, RMS
Chip Marous, Marous
Sean McDermott, Cleveland Metroparks
Jeremy Bowers, Karpinski Engineering
Doug Berlekamp, Whiting-Turner

MINUTES: **Today's roundtable objective:** Looking at the Value of Early Engagement and how it can help to mitigate risk to the project.

While looking back at the past events held in NEO (posted on the website under the Program/Event Timeline), we have collected great information that can help to address concerns throughout the lifecycle of a project.

When selecting construction partners during the early engagement period, you will need to look at each project and who would make a good early engagement partner and what the right timing is to engage each of them.

Early engagement can help to open the dialogue among all stakeholders/construction partners.

Early engagement has been an evolution in the Public sector, education of their Board's is a needed step.

Early engagement is not always applicable to a project.

See attached pre-event Survey results

Comments from our Panelist and group discussions:

RR: From an Owner standpoint; look at the complexity of the project, who the architect is, whether an urban planner is necessary, and then determine who to bring on during the early engagement phase. Compensating the stakeholders needs to be addressed and included in the budget. If the Owner doesn't add this to their budget, they may not fully appreciate the value that the stakeholder is bringing to the project.

Timing of when to bring someone in is critical. It's also beneficial that everyone hears the same message early rather than losing clarification as someone is brought on later in the project. Relationships amongst stakeholders can also help in communications, understanding of expectations, can be beneficial. Region and stakeholders in those regions also need to be examined.

Insurance: Claims are higher when communication doesn't occur amongst stakeholders and the message gets watered down as stakeholders are brought on. Early engagement helps to keep the same message amongst stakeholders.

CM: Managing risk takes time and energy but is well worth it in the long run. Educate everyone on the team.

Arch: The further you get in the design of a project without early engagement, it typically leads to "Value Engineering" which results in redesign and costs time and money.

What do we expect (our expectation) from Design-Assist at:

- Conceptual
 - Assisting and advising with design - **Not** design delegation
 - Advanced creativity and exploring
 - Schedule, market information, and lead time
 - Best options
 - Accurate budgeting
 - Initial target budget
 - As the project develops do continuous budgeting; in agreement with the expectation of the project
 - Relative costs
 - Life cycle costs
 - Operating costs
 - Either / Or budgeting
 - Communication/participation among stakeholders and trade partners
 - Site logistics participation
 - Understanding Owners program
 - Monitor market conditions; when is the right time to buy, etc.
 - Constructability
 - Designer buy-in
 - Matrix of responsibility: Clarification of what the trade contractor is being brought on for – pre-construction concept or as a true stakeholder for the whole project

- Economic value – higher end finishes vs. developer grade finishes, etc.
- The time that it takes to accurately (do the job right) get through Conceptual - High value vs. low overhead
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- SD/DD
 - Site investigation
 - Value engineering
 - Constructability
 - Understand implications of conceptual decisions
- Lump Sum Construction
 - Contract compliance

Obstacles and Risks for each Stakeholder

Public Owners:

- Time
- Disengagement from the designer
- Early Engagement from the subs (not able to pay and have to require 3 bids)
 - Looking at ways to change this process
- Knowing a lot doesn't always mean that the sub is going to get the job
- First cost vs. final costs
- Limited by contract
- Competitive costs
- Explaining value
- Lack of trust
- Making sure that the playing field is fair when doing competitive bidding
- Public industry is not static, they are dynamic because people are always changing (new mayor, new president of the university, new board member, etc.) and you have to be able to take a breath and know how to work through that

Architects / Engineers

- When a new architect gives a low number to a client and an architect that has a relationship with the client loses out because they know the costs of working with that client from past experience
- Effort = compensation
- Slowing down the Team
- Cost
- Understanding the process
 - There's a process to the design steps
- Having to change direction early on and a stakeholder has latched onto an early idea and not being able to change direction
- Design team not fully understanding the engineering design and going down a rabbit hole without communicating
- Educating new partners: When a trade partner is changed out during the bid process it can be detrimental to the team because they haven't been part of the design and conversation through the conceptual

- There should be savings by having the whole team intact from the early engagement phase because everyone has already been working together and communicating from the onset

CM

- Transparency

Trade

- Having to bid the design
- With value engineering who's really benefiting? The Owner or the Sub or is it cutting Quality
- When a trade knows that the work is going to go out to bid, how much time is the sub going to spend getting a 'good' number
- Relationship and prior experience matter when giving a number
- Too much paperwork
- Cost: No compensation for time (or reasonably compensated)
- Budget: Being undervalued for their expertise during (free-con) pre-construction/conceptual estimating phase
- You may not always get the best number when the trades are busy because they don't have the manpower to give a good number
 - We have to be cautious that we don't price ourselves out for when the market slows

Do you see the value at the end of the project by having early engagement?

- There's no measurable way to determine costs saving of early engagement

Everyone has to do the right thing for their own company and business.

ANNOUNCEMENTS:

Reminder: Requirement of being a Partner is participation when information is requested (survey participation was only 28).

Emerging Leader applications are due on November 15, 2018

PLUS/DELTA:

Plus: Great hearing from Ron Ratner and his candidness Engagement around the table Good step in clarification of the subject of Early Engagement vs. Design Assist Separate panelist - Public / Private	Delta: No Trade partners No Pam
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NEXT MEETING: January 22, 2019, Joint event with SMPS: Kelly Riggs, Counter Mentor Leadership: How to Unlock the Potential of the 4-Generation Workplace

Q2. Universal industry question: What is stopping the market from utilizing early engagement of significant number of stakeholders more frequently?

Perceived Loss of Best Price

- Perceived loss of competition by circumventing the bidding process, not recognizing the long-term benefit and value and resistance to change from the traditional approach and to some extent restrictions on contracting methods.
- Owner's fear of not getting multiple numbers
- Lose buying power (bidding)
- Fear of overpaying for a job. Not getting the most bang for the buck. Also risk of going over budget instead of a fixed cost
- lack of trust on part of owners that they will receive the best price
- Lack of understanding of the value it can bring to a project and the significant savings that can be seen utilizing early engagement.
- My opinion - the preconceived notion that if they engage early and make a commitment they are losing the opportunity to obtain the lowest price for the work through a bidding process.
- \$
- Resistance to early selection of trade partners
- Competitive bidding or audit.

State Contracting Process

- Public Open Sealed bids due to funding sources. More GC work coming out as opposed to CM at Risk.
- Public Sector Laws - Lack of understanding the process - Owner will not take the risk

Trust

- lack of trust, particularly with respect to pricing. General feeling that early engagement costs more money.
- Lack of trust.
- lack of trust.
- Trust

Compensation of Services

- "Owners are not willing to compensate for the effort directly and fairly.
- Owners do themselves more harm than good by trying to obtain ""free"" or significantly discounted early engagement services that are essentially an inferred quid pro quo agreement where the architect, consultant or contractor provides services for future considerations. This murky arrangement often leads to either low-quality early engagement services or to disgruntled partners, neither of which are benefits to an owner interested in long-term outcomes."
- understanding of cost
- cost
- Cost concerns.
- Paying for Pre-con services

Understanding/Education of Process

- not understanding the process.
- I believe because it is a change to the norm and no one has time to stop and understand a change in the normal way of doing things (even if it will be beneficial)
- Lack of defined process to engage stakeholders
- Most owners are still using design-bid-build. When owners choose other delivery methods, they must be educated in the delivery method and have a high degree of trust in the team members.
- Individual stakeholders want to first assert their own position and may not be interested in the engagement of others. Owners often want to maintain control by establishing narrow silos with individual stakeholders. Parties may not be willing to invest in or trust in an early engagement process.
- Comfort Level
- entrenched methodology on how the project should work. There is still enough of an older generation who still think their way is the right way.
- Being a Design Assist guinea pig
- Educating A/E and CM on design assist
- Several factors, but one is the willingness, both intellectually and financially, of the specialties and subtrades to get involved on "theoretical" projects

Confidentiality

- confidentiality, need to keep quiet about possible upcoming plans.

Q3. Individual stakeholder question: What do you view as the risks of early engagement to your perspective stakeholder group?

- Increases design team workload
- Unquantifiable overhead from a management perspective to facilitate this process to maximize your staff workload. Early engagement changes from project to project and can book up PMs if expectations are not set before partnering
- Lack or return on the investment. Not all subcontractors bring value in a DA process. Identifying the right partner is essential.
- Owner taking our ideas and then deciding to bid the project out.
- The effort not being compensated fairly by the project owner.
- Proper development of budget vs scope
- too much time spent on meetings. when one of the stakeholders is new to the process, it slows down progress.
- getting involved earlier may lead to more time on the project
- I don't view many risks other than potentially taking the onus off the AOR or EOR and fatiguing those with whom you early engage
- Potential of "sunk costs" if project does not proceed
- Risk of on-the-job disputes.
- Engineers miss out on building a strong relationship directly with the owner.
- competitive cost models
- We believe in early engagement and always think the benefits outweigh the risks, even if our own scope of assumed work is impacted for the overall benefit of the project.
- Immense amount of overhead spent towards project that can bring in more company revenue if allocated in other areas.
- None
- from architect's perspective early engagement saves time and trouble and cost on the back end. The risk is minimal to architects
- Lack of buy-in from the project team. Early engagement needs to be embraced by the team to realize the full benefits.
- none
- Not having a trusting relationship with DA trade partner.
- More time with a less experienced partner.
- Questioning the design
- I am a trade contractor but my perception is that the stakeholders fear they will lose an opportunity to save money.
- Our fee being decreased because more pre-construction dollars going to the contractors as design assist.
- division of decision making power..it will never be equal and everyone still wants to keep their power position.
- Maybe losing some competitive pricing for certain trade areas of work

Q4. What percentage of your projects are utilizing early engagement of a significant number of stakeholders (i.e. Design Assist subs)?

