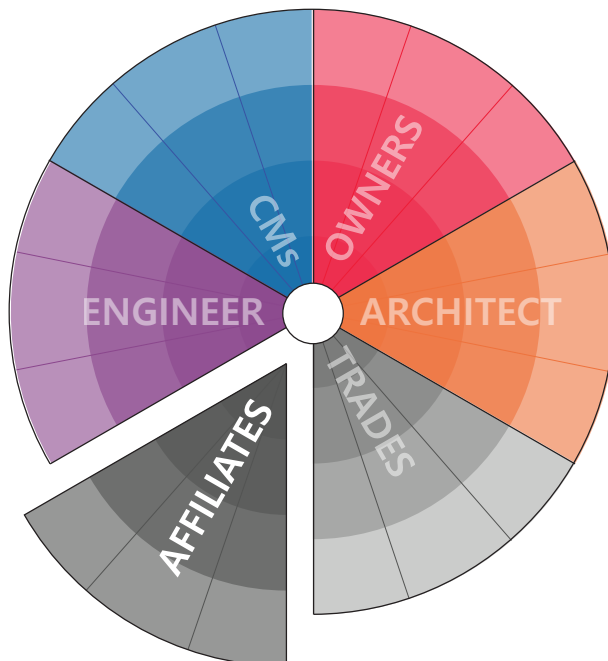


6 DEGREES OF DESIGN & CONSTRUCTION RISK

What are the GREATEST RISKS that AFFILIATES face on EVERY design & construction project?

The COGENCE Alliance recently asked a collective group of Owners, Affiliates, CM's, Trades, Engineers, and Architects what are the greatest risks to every design and construction project. We're now answering that question by way of an 8-part series of posts, which began with an [aggregated "Top 10" list](#), followed by the Top 10 Risks as determined by the [OWNERS](#) — including some potential solutions to help mitigate these risks.

This week we're pleased to share the risks and potential solutions, as determined by **AFFILIATES** (i.e., insurance, legal, banking, vendors, and other professionals aligned with the design and construction industry). In two weeks, we will release the risks and solutions particular to CM's, followed by Trades, Engineers, and Architects. The series will conclude with an analysis of the lessons learned and how to use this critically important data.



AFFILIATES

COMMUNICATION

LEADERSHIP

CONTRACTS

DUE DILIGENCE

SCHEDULE

CHANGES

TEAM MEMBERS

QUALITY

FINANCIAL

BUDGET

AFFILIATE'S RISKS

1. COMMUNICATION

RISK: Nominal issues are not promptly addressed and are exacerbated - unlike fine wine, problems do not get better with age.

RISK: When conflict occurs, productive communication shuts down and defensiveness pervades.

SOLUTION: Nip problems in the bud by promptly communicating with the relevant team member.

SOLUTION: Be accountable and honest. The cover up is invariably worse than the crime, so be forthright about attending to issues.

2. LEADERSHIP

RISK: Weak and/or indecisive leadership.

RISK: Authoritarian/dictatorial leadership.

SOLUTION: The best leaders thread the needle between listening to others and making tough decisions. They are strong enough to be respectful, and they don't shy away from difficult discussions with owners and project team members.

SOLUTION: Three fundamental qualities = humility, expertise, integrity.

3. CONTRACTS

RISK: Not understanding and/or taking ownership/responsibility for what is in the contract.

RISK: Fair or unreasonable contract terms.

SOLUTION: Engage in robust and candid contract negotiations - develop a good understanding of the other's perspective, rather than just entrenching in your own.

4. DUE DILIGENCE

RISK: Not investing the time to do due diligence and vetting of the project or client or team prior to moving forward; waiting until after you have the project to vet the client.

SOLUTION: Conduct thorough due diligence before moving forward with the project. An ounce of prevention > a pound of cure.

5. SCHEDULE

RISK: Not understanding the schedule from the outset of the project.

RISK: Design team and contractors are accepting unreasonably tight schedules, with the intent to rely on changes down the road.

SOLUTION: Assemble the team as early as possible to collaboratively develop and understand the schedule.

SOLUTION: Better communication => fewer changes and a greater likelihood of delivering on-time.

6. CHANGES

RISK: Team members not understanding, appreciating and/or caring about how changes impact other team members and the project (i.e. "the domino effect").

RISK: Unforeseen and unavoidable changes that must be made in the moment.

SOLUTION: Effective communication and good teamwork will minimize the need for changes and maximize the likelihood of smoothly dealing with changes.

7. TEAM MEMBERS

RISK: Lack of experienced team members; more Boomers are retiring than Millennials are entering the work force.

RISK: Team members who are unfamiliar with each other and/or not cohesive.

SOLUTION: Develop programs to inform younger persons about opportunities presented in the industry. Embracing diversity will expand the talent pool.

8. QUALITY

RISK: Unrealistic project schedule; inexperienced personnel.

RISK: Cutting corners by reducing QA/QC.

RISK: Strained budgets result in less quality products to be used; excessive value engineering.

SOLUTION: Introduce a quality control program.

SOLUTION: Focus on value over price; life cycle costs over first costs.

SOLUTION: Bring the team together early and often to collaboratively address fees, budgets, schedules, and expectations.

9. FINANCIAL

RISK: Being a bank for the client.

RISK: Payment terms that change or are too protracted.

SOLUTION: Reasonable due diligence as part of the kick off process.

SOLUTION: Alleviate concerns by creating a comfortable atmosphere to discuss project finances.

10. BUDGET

RISK: Budget does not allow for adequate team fees for the required expertise.

RISK: Budget does not align with scope; attendant fear to bring this to the Owner's attention.

RISK: Design firm implements concepts that are beyond the Owner's budget.

SOLUTION: Stress the importance of value over price for all team members, and life cycle costs over first costs.

SOLUTION: Early on-boarding of design and contractor teams to assist in developing a realistic budget that aligns with Owner's goals.

COMMONALITIES

Once again, we find that effective communication is critical to mitigating risk. The Affiliates recognize the importance of prompt, mutually respectful, and candid communication - which includes listening and putting ourselves in the shoes of our fellow team members. The related ideal of collaboration is another key factor in reducing risk maximizing value.

The COGENCE Alliance exists to transform the design and construction industry to be more collaborative, with reduced risk and improved outcomes for all projects. For more information, go to cogence.org.

