

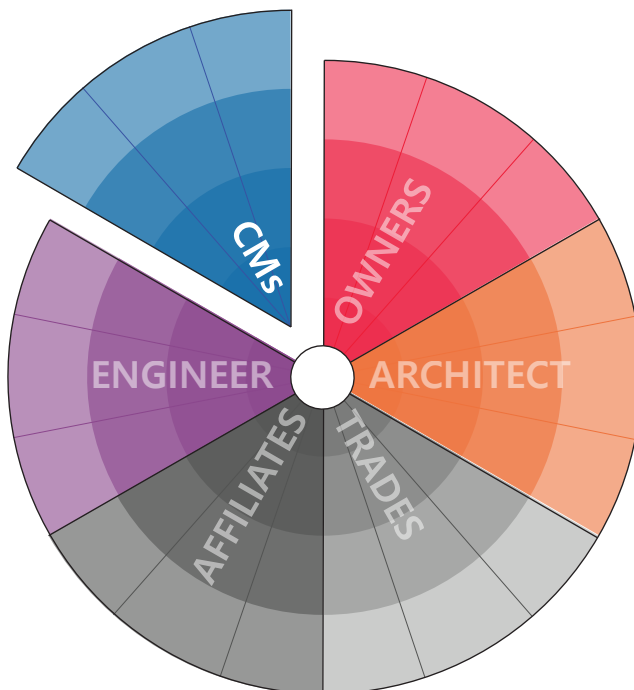
6 DEGREES OF DESIGN & CONSTRUCTION RISK

What are the GREATEST RISKS that CM's 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](#), and [AFFILIATES](#).

This week we're pleased to share the risks and potential solutions, as determined by **CMs** (construction managers). In two weeks, we will release the risks and solutions particular to Trades, followed by Engineers, and Architects. The series will conclude with an analysis of the lessons learned and how to use this critically important data.

Join the conversation - join the movement - join the [COGENCE Alliance](#).



CMs

TEAM MEMBERS

CONTRACTS

BUDGET

COMMUNICATION

SCHEDULE

LEADERSHIP

QUALITY

FINANCIAL

CHANGES

DUE DILIGENCE

CONSTRUCTION MANAGERS' RISKS

1. TEAM MEMBERS

RISK: Shortage of skilled laborers and lack of proper team member training - particularly in the MEP and masonry trades.

RISK: Employee retention - we train them and then they leave.

SOLUTION: Encourage and develop more apprenticeships, and trade-based primary and secondary education.

SOLUTION: Adopt practices that encourage employee retention and engagement; invest in your people.

2. CONTRACTS

RISK: One-sided contracts that may include uninsurable risk, slanted indemnification provisions, and/or unlimited consequential damages, but which are presented for signature as "non-negotiable."

RISK: Transfer of design risk to the CM - even when it is not a design build contract.

SOLUTION: Educate the clients/owners about the contract, and help them understand that a CM at Risk contract does not mean complete transfer of all risk to the CM. Recognize that a contract with unreasonable indemnity and/or lack of insurability is, ultimately, not in any body's best interest.

3. BUDGET

RISK: Owner expectations not aligning with the available Budget - Cadillac taste but a Chevy wallet.

RISK: Projects feel "doomed" from the start because the budget is created without input from the CM.

RISK: In GMP contracts, having a client who is not willing to accept the budget and/or not understanding what a GMP really means.

SOLUTION: Bring the CM on early in the design process - the earlier the better - to help determine appropriate budget, to align expectations, and be a resource to the design team.

4. COMMUNICATION

RISK: Not addressing issues directly - thinking that problems will resolve themselves instead of proactively communicating and collectively resolving problems.

RISK: Lack of timely decision-making by the Owner, and/or not understanding the impact of delayed decisions on the project.

SOLUTION: Establish a meeting cadence and communication protocol at the kick off meeting. Have decision makers at critical meetings to resolve issues. Establish a governance process and problem escalation process.

SOLUTION: Establish a clear schedule for Owner decisions and identify the impact to the project if those decisions are delayed.

SOLUTION: Encourage socializing within the team and establish good relationships and allows for candid communication and eliminates fear.

5. SCHEDULE

RISK: Product selection and long-lead times.

RISK: When the project actually starts versus when it was supposed to start is becoming more and more prevalent. Slippage happens on every project these days, but the end date does not change. CMs are left to create recovery schedules and battle the whole way.

RISK: Weather - Ohio weather is so hard to predict and we can do our best to plan for it but it creates ongoing challenges for projects with aggressive schedules (which these days is all projects).

RISK: Overly aggressive schedules can result in additional safety issues.

SOLUTION: Early on-boarding of CM to the project team allowing them to advise on lead times.

SOLUTION: Clear and direct communication to the Owner about the risks created by schedule slippage and work to create understanding.

SOLUTION: Educate Owners on the need to allow time in the schedule for unforeseen events.

6. LEADERSHIP

RISK: Safety - particularly with experience levels having dropped with the current labor shortage.

RISK: Inexperienced leaders allowing overly aggressive schedule to cause the project to be rushed.

RISK: Domino effect - day-to-day client representatives being pressured by leadership creates downward pressure onto A/E/C's, which then gets pushed onto the sub-consultants/subcontractors.

RISK: Project managers lacking the technical experience required to manage the project.

SOLUTION: Establish training programs - including leadership training - to pass on knowledge from seasoned professionals.

7. QUALITY

RISK: Defective work.

RISK: Incomplete drawings leave CM's to interpret and/or omit things during bid time/final budgeting.

SOLUTION: Educate Owners about the benefit of allowing adequate time for documents to be complete and paying for fair value from consultants.

8. FINANCIAL

RISK: Owner financing not being aligned prior to starting the project, leading to budget constraints throughout the project.

RISK: Unpredictable markets causing unpredictability in subcontractor pricing, labor, and materials - most notably when submitting budgets early in the process (i.e. programming and SD).

RISK: Dispute of project escalation, most notably when owners are unwilling to accept what the CM uses for project escalation in the current market, and notwithstanding, the goal is often to protect the overall project.

RISK: Inadequate budget for the scope that the owner wants, and/or lack of willingness to understand project limits that are commensurate with budgetary limits.

SOLUTION: Candid communication regarding project goals in relation to budget and changes due to market conditions.



9. CHANGES

RISK: Insufficient appreciation of the “ripple effect” of changes (e.g. moving an outlet one inch in every patient room after construction has commenced - which seems like it would have minimal impact but can have a huge schedule and financial implications).

SOLUTION: Communicate between relevant team members regarding potential changes, in order to understand the consequences of changes.

10. DUE DILIGENCE

RISK: CM’s not conducting sufficient due diligence - particularly with respect to Owners and financing/budgetary considerations

SOLUTION: Conduct reasonable due diligence regarding past projects and/or owner financial viability.

COMMONALITIES

As with Owners and Affiliates, effective communication is critical to mitigating risk. Effective communication helps to build relationships and understanding between team members so we can all begin to mitigate risk. Construction Manager’s also found that leveraging the team’s expertise early in a project can help generate goal and budgetary alignments leading to a more successful project. Bringing the team on early helps to foster the free flow of information, understanding of team members’ perspectives, address outstanding issues, and celebrate those success as a team.

Join the conversation - join the movement - join the [COGENCE Alliance](#).

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

