

Developing an Internal Culture to Better Manage a Firm's Risk

Presented by:

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Course Overview

1. The Need to Manage Risk
2. Basic Tenets of Risk Management
3. Risk Management Myths
4. Developing an Internal Culture of Risk Management
5. Questions / Discussion
6. Action Steps

Strogoff Consulting, Inc.

- Practice Management
- Strategic Retreats and Visioning Workshops
- Leadership Development
- Mergers & Acquisitions
- Ownership Transitions
- Partners with the AIA California Council
- Partners with **aecKnowledge**

www.aecKnowledge.com

- Knowledge sharing site for design professionals
- Risk management courses
- Practice management courses
- Leadership development courses

About the Presenter

- Strategic advisor and practice management consultant
- Focus on Strategic Planning, Practice Management, Ownership Transition and Mergers & Acquisitions
- Licensed architect since 1983
- 1983 – 1996: Managing Partner 40-person firm
- Chair Emeritus, Advisory Group to AIA's Practice Management Knowledge Community
- Founder, **aecKnowledge** online education platform

1: The Need to Manage Risk



The Need to Manage Risks

- Engineering is a reputation-based industry
- Protect public health, safety and welfare
- When managing risk fails, we see:
 - Buildings redesigned during construction
 - Clients saddled with under-performing buildings
 - Untested ideas rejected
 - Higher incidence of claims and lost clients
 - Firm struggle and close

The Need to Manage Risks

- When risks are managed, we see:
 - Firms innovating and flourishing
 - Buildings, systems and structures out-performing expectations
 - Enhanced staff morale
 - Satisfied clients and ongoing client referrals
 - Improvements in the built environment

The Need to Manage Risks

- A single claim or large project loss can:
 - Consume management and distract from important strategic initiatives
 - Erase profits generated on dozens of projects
 - Affect staff morale and inhibit innovation
 - Destroy a firm's short-term reputation

2: Basic Tenets of Risk Management



Basic Tenets of Managing Risks

- A firm cannot succeed without accepting and managing risk
- Risk should align with potential rewards
- The party with the ability to manage a risk should assume that risk
- Managing risk entails commitment and cooperation by all stakeholders (clients, design professionals, contractors, manufacturers, building officials, insurance underwriters)

3: Risk Management Myths



Risk Management Myths

- Risks can be eliminated through contractual provisions
- Good clients don't sue engineers
- Insurance policies cover most risks
- Risk management is primarily a QA/QC issue

4: Developing an Internal Culture of Risk Management



Risk Management is a Mindset

- Client expectations need to be managed (always under promise and over deliver)
- Effective and ongoing communication prevents and/or resolves many issues
- Everyone involved in project delivery impacts risk management
- Managing risks enables innovation

Risk Management is a Mindset

- An engineer needs the cooperation of other stakeholders to properly manage risks
- Tight construction budgets with inadequate contingencies and unrealistic schedules lead to more claims
- Educated clients who understand the issues and reasons behind decisions are less litigious

An Internal Culture of Risk Management

- People
- Clients and Projects
- Organizational Structure
- Systems and Tactics

Internal Culture: People

- Hire for **collaboration & problem-solving** skills
 - Listening skills
 - Team-building and leadership skills
 - Analytical abilities
 - Intellectual curiosity
 - Willingness to ask probing questions
 - Perspective
 - Ability to identify underlying problems

Internal Culture: People

- Hire for **persuasion skills** (client meetings and presentations, agency reviews, team leadership)
- Conduct exhaustive reference checks
- Team people with different mindsets
- Let marginal staff work for marginal firms
- Empower staff, expect results, and reward performance

Internal Culture: Clients and Projects

- Make wise **Go / No-Go** decisions
- Gather intelligence:
 - Strategic planning and business development
 - Prospective clients and projects
 - Engineering design phase
 - Project delivery methods and resources
 - Construction phase
 - Post-construction

Internal Culture:

Clients and Projects

- Manage client expectations (under-promise and over-deliver, aim high)
- Conduct project kick-off meetings with clients:
 - Project parameters
 - Goals and expectations
 - Roles and responsibilities
 - Potential obstacles / barriers to success
 - Lessons learned from previous projects
 - Measures of success

Internal Culture: Clients and Projects

- Communicate early, communicate often
- Use project meetings strategically to:
 - Prepare
 - Inform
 - Create
 - Solve
 - Persuade
 - Decide

Internal Culture: Clients and Projects

- Conduct + / □ (**Plus / Deltas**)
- Distribute action- and decision-focused notes
- Issue Client Status Reports
- Accept responsibility as early as possible
- Hold clients accountable for their actions and decisions

Internal Culture:

Organizational Structure

- Lead by example
- Impart wisdom and proactively capitalize on “teaching moments”
- Repetition raises awareness and communicates expectations
- Integrate expertise on every project
- Cross-pollinate & match complementary skills

Internal Culture:

Organizational Structure

- Conduct project kick-off strategy sessions
- Capture and disseminate knowledge:
 - Subject matter experts
 - Internal resource center
 - Lessons learned (a living training manual)
 - Templates and toolkits
 - Resources

Internal Culture: Organizational Structure

- Encourage “**essential conversations**”
 - Performance and effectiveness
 - Client interactions
 - Expectations, measures of success
 - Personalities, attitudes and morale
 - Collaboration
 - Generational differences
 - Leadership and advancement

Internal Culture: Systems and Tactics

- QA / QC systems, checklists, peer reviews
- Negotiate directly with your client
- Align expectations before submitting fees
- Contract terms to incorporate, avoid, quantify and/or discuss
- Project contingencies (construction costs, project costs, schedule)

Internal Culture: Systems and Tactics

- Fee allowances:
 - Additional meetings or site visits
 - Unknown site or building conditions
 - Changes in codes and interpretations
 - Responding to change orders
 - Responding to construction defects
 - Other items outside of your control
- Be wary of reducing scope to reach agreement

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Questions / Discussion



Action Steps!



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