

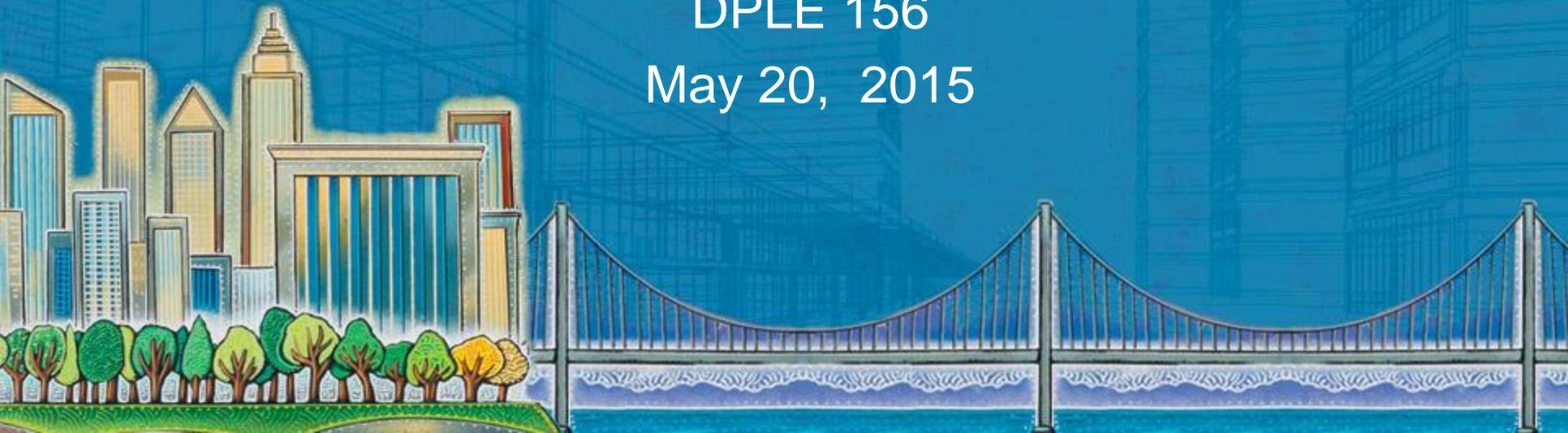


Managing Client Relationships

RLI Design Professionals
Design Professionals Learning Event

DPLE 156

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DIFFERENT WORKS



■ Course Description

Each client relationship presents a unique set of risks for your firm. Evaluating these risks within an organized framework helps you to:

Assess, manage, and control the risks of working with certain client;

Prevent repeating mistakes in client selection; and

Allow for consistency in client selection.



■ Learning Objectives

Participants will:



Learn how to assess the risks when working with certain clients;



Develop risk management strategies to prevent repeating mistakes in client selection;



Understand how managing client expectations leads to a rewarding experience; and

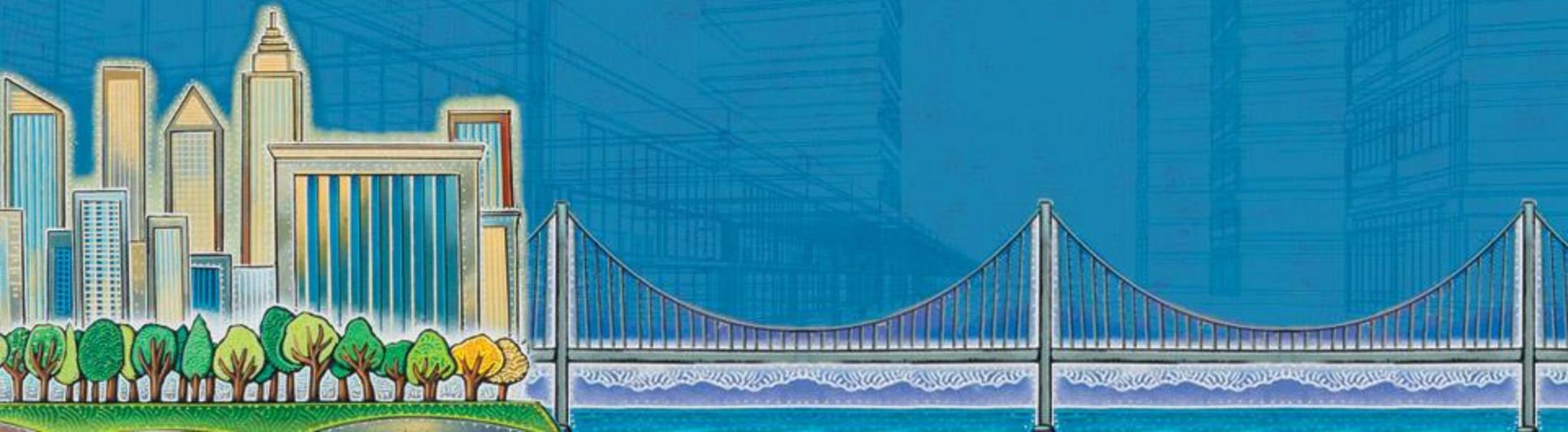


Begin undertaking specific actions to preserve client relationships.





Assess Risk



■ Why Assess the Risks of Working With Certain Clients?

Address realities of today's business environment

Manage needs and expectations

Manage risk assumption

Avoid project failure

Recognize that Client can become Plaintiff

Create lasting client relationships

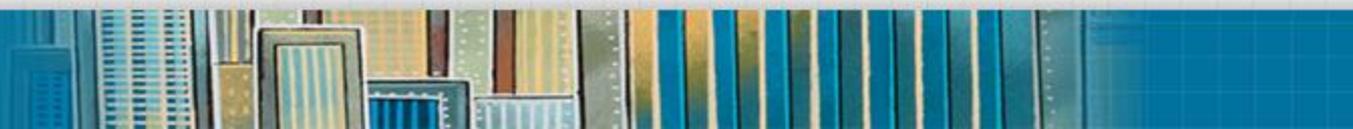
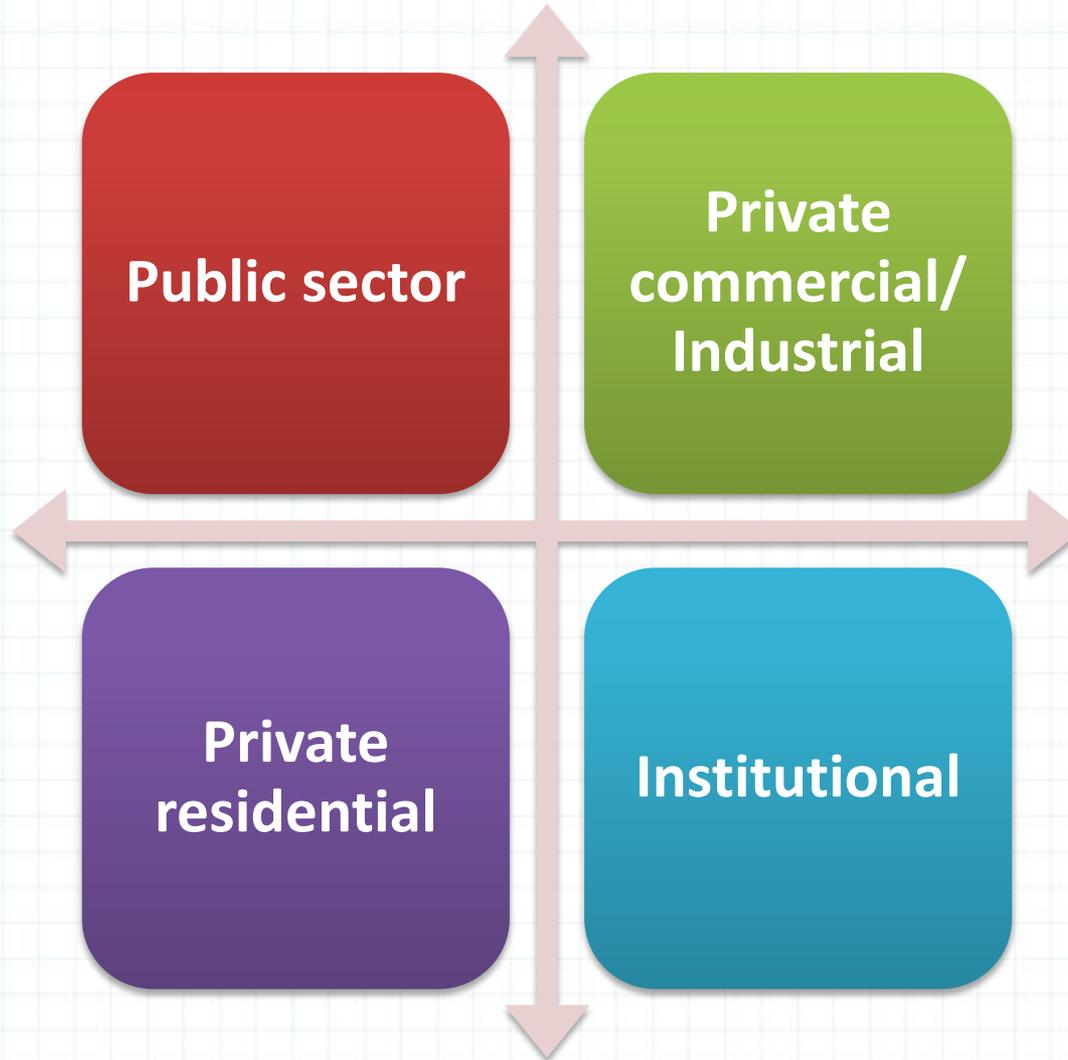


■ Assess the Risk of Working With Certain Clients

- ✓ Type of Client
- ✓ Financial capacity/funding sources
- ✓ Form of project management
- ✓ Client expectations
- ✓ Construction track record
- ✓ Claims history



■ Type of Client



■ Public Sector Funding



Dedicated funding source from
tax revenue



Through the sale of public
obligation bonds



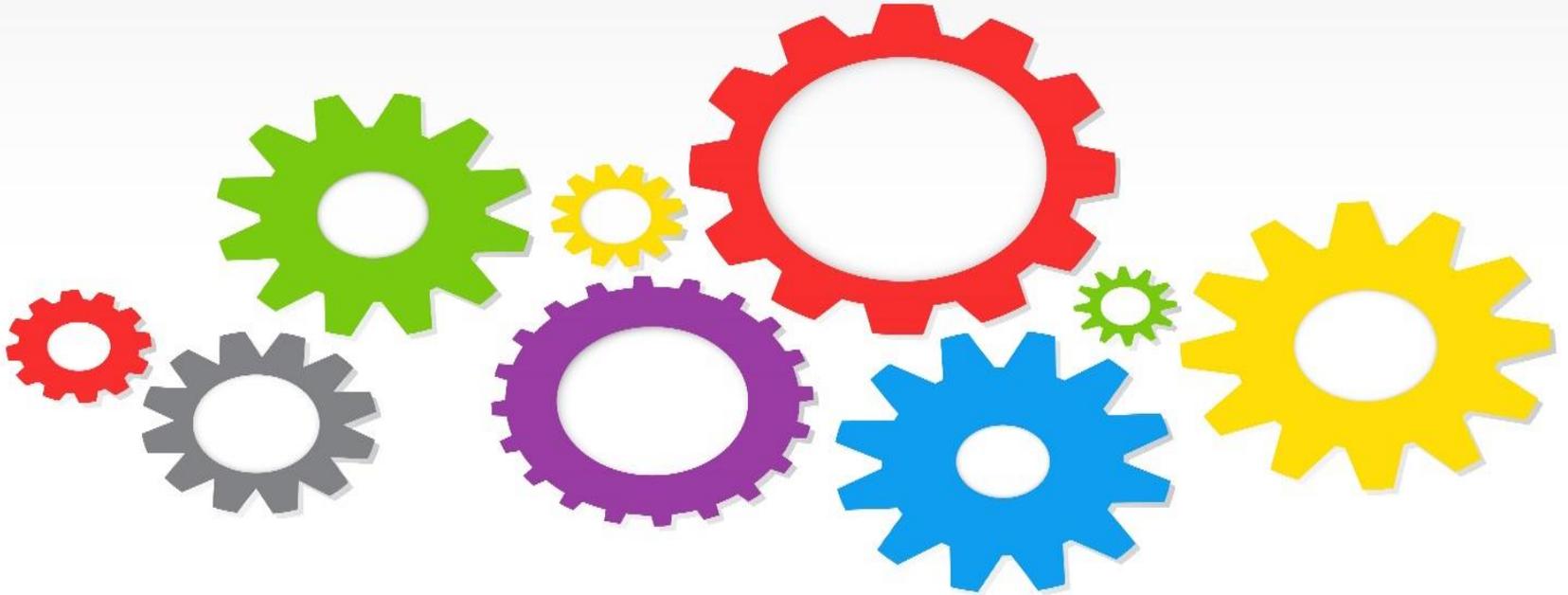
Public referendum



An act of the legislature



■ Committee Owner Client



■ Private Sector Client

Corporate

Commercial

Industrial

Institutional

Developer

Retail

Residential



■ Client Challenges

- ❖ Fix everything to their satisfaction at no extra cost. . . It doesn't matter whether contract terms support their position
- ❖ Expectation of perfection
- ❖ Onerous contract terms





Managing Client Expectations



■ Risks Associated with Client Expectations

Largest source
of professional
liability claims

Early
discussion

Created in a
variety of
ways

Schedule,
Budget,
Quality



■ Managing Client Expectations



Where Do Clients' Expectations Of Perfection Come From?

Our own marketing communications

Political “low-balling” to sell public projects

No contingency budget for designers

Perception that any and all “deficiencies” are our responsibility

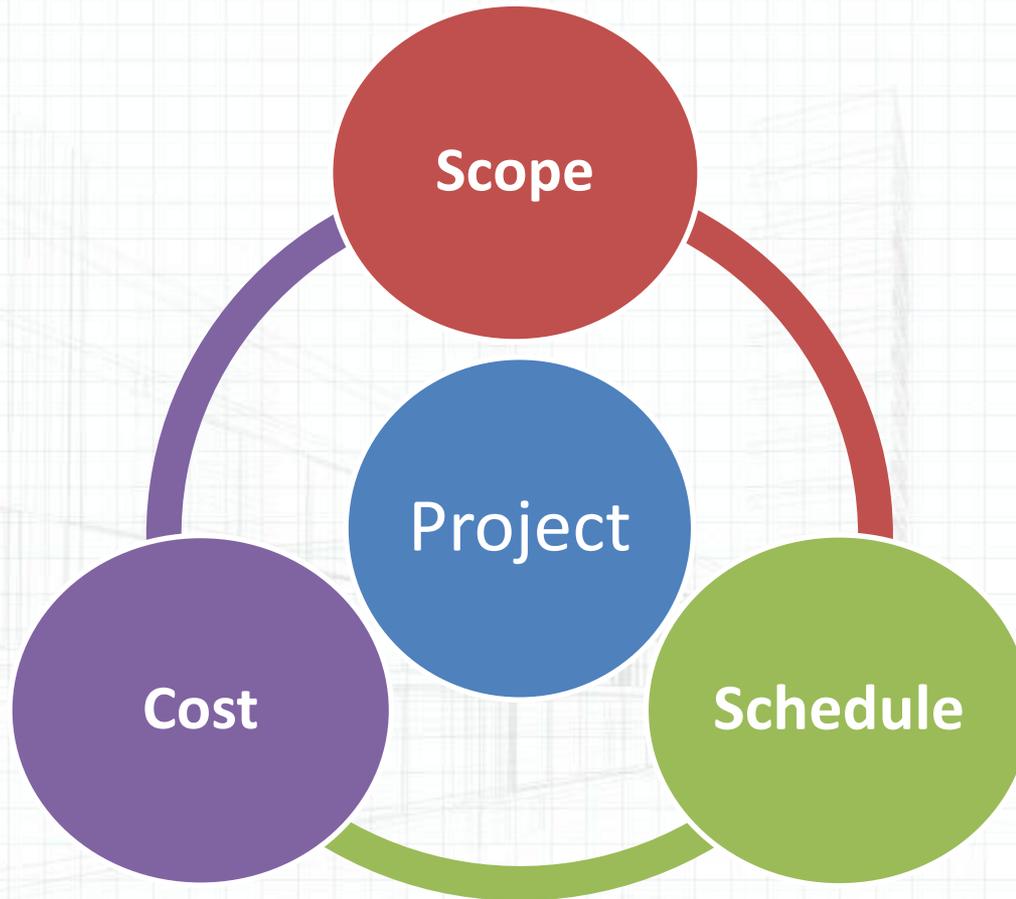
Construction contractors blaming engineers for change orders

Lack of relationship with client

Client's lack of trust or actual suspicion or distrust

■ Managing Client Expectations: Three Constraints

Determine which of these is your Client's highest priority...



...then tailor your work to fulfill the Client's expectations

■ Managing Client Expectations: Why Projects Fail

- Lack of technological or technical capabilities
- Unrealistic/unreasonable project requirements
- Circumstances beyond your control
- Fee not commensurate with scope of services

Contract

- What form of contract?
- Can the contract be reviewed?
- Are the terms reasonable?
- How is the standard of care defined?
- Are there unrealistic responsibilities being imposed upon our firm?



■ Managing Client Expectations: Sources of Risk

Be careful of how you market your firm on:

Websites

Brochures

Project Proposals

**Other Marketing
Materials**



Your words may raise your performance requirements beyond those of your peers

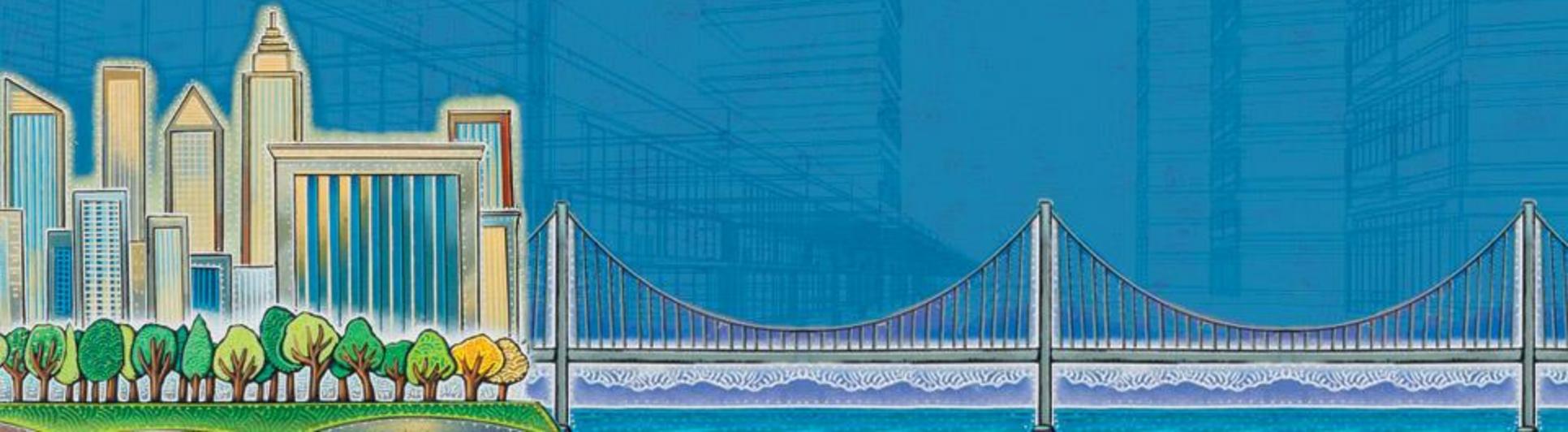
■ Managing Client Expectations



Communicate to your client that perfection is unattainable and is not required by law



Risk Management Strategies



■ What is the solution?



■ Which Risk Management Strategies Might Respond?



Funding:

- Right to know financing adequacy
- Be wary of lender requirements



Committee
Owner:
Designate one
representative



Unrealistic
expectations
and/or low fee:
Limitation of
liability?



Litigious Client:
Mediation first?
More detailed
scope?



■ Risk Management Strategies

Before the project starts

“Do we have the time, resources and capabilities to properly respond to project requirements and client expectations?”

■ Risk Management Strategies

During the project

- Adhere to change management procedures
- Document all decisions
- Update Project Work Plan
- Submit invoices in accordance with terms
- Adhere to Quality Control plan
- Hold progress meetings
- Obtain proper approval of deliverables

■ Risk Management Strategies

Assumptions Clause

Putting the assumptions of both parties in writing ensures that the parties have an understanding of each others' expectations



■ Risk Management Strategies: Client Relationships



**Communicate
frequently**

This is especially true
when your client is
angry or concerned.



■ Risk Management Strategies: Client Relationships

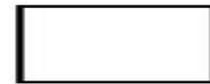
Be candid in the communication

Clients will only accept a "don't worry about it" approach for so long.

True

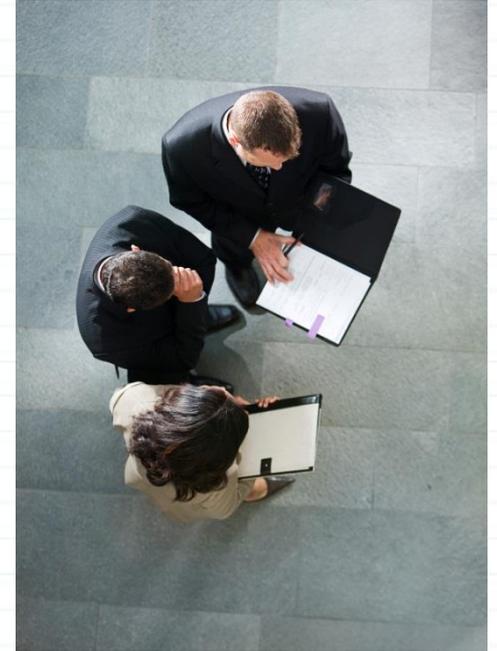


False



Join forces with your client

Claims are often made
(at least in part)
because one party becomes
the "odd man (or woman) out."



■ Risk Management Strategies: Client Relationships



Reassure your client

Establish that problems in construction are common, but you will be there to uphold your responsibilities and help resolve them.



Don't hold grudges

Clients, contractors, vendors, etc.
aren't always reasonable.

Perpetuating a grudge does
nothing to improve the situation.



■ Risk Management Strategies: Client Relationships

- Set expectations up front
 - “we’re not perfect”
- Specifics of job that can lead to problems:
 - Designing out of sequence
 - Fast-track schedule
 - Unrealistic budget
- Keep talking to client, and help when a problem occurs
- Identify the issues, and solve them quickly



Understand the impact of your actions



- ❖ *Responding to an RFI doesn't constitute a *contract modification*.*
- ❖ *Marking up shop drawings and submittals doesn't constitute *proper authorization* of a change to the time, cost, or Work.*



■ Risk Management Strategies: Managing Change

Use appropriate tools

AIA G701, Change Order

AIA G714, Construction Change Directive

AIA G710, Architect's Supplemental Instructions

CSI Form 13.1A, Substitution Request

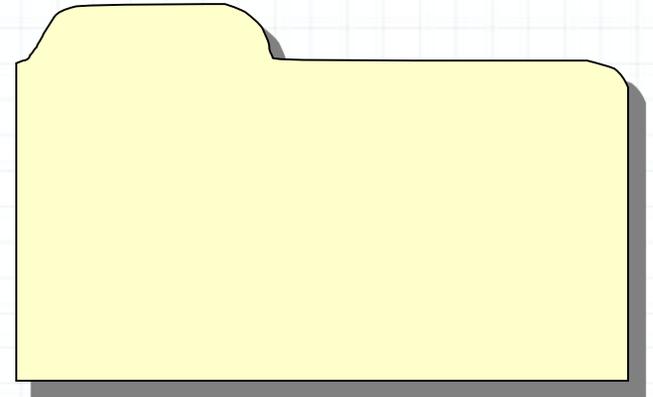
Contractor's warranties for substitutions



■ Risk Management Strategies: Project Documentation

Significant project documents include:

- ❖ Contracts
- ❖ Certificates of insurance
- ❖ Progress drawings
- ❖ Bidding sets
- ❖ Record drawings
- ❖ Invoices
- ❖ Shop drawings and submittals
- ❖ Change logs
- ❖ Certificates of substantial and final completion as well as Certificates of occupancy, as applicable
- ❖ Certifications

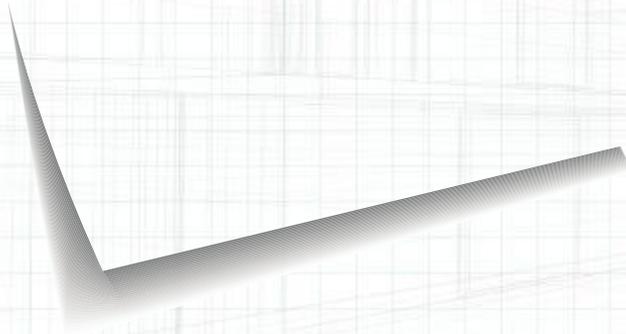


■ Document, Document, Document!

One of the best defenses against unrealistic client expectations is documentation:

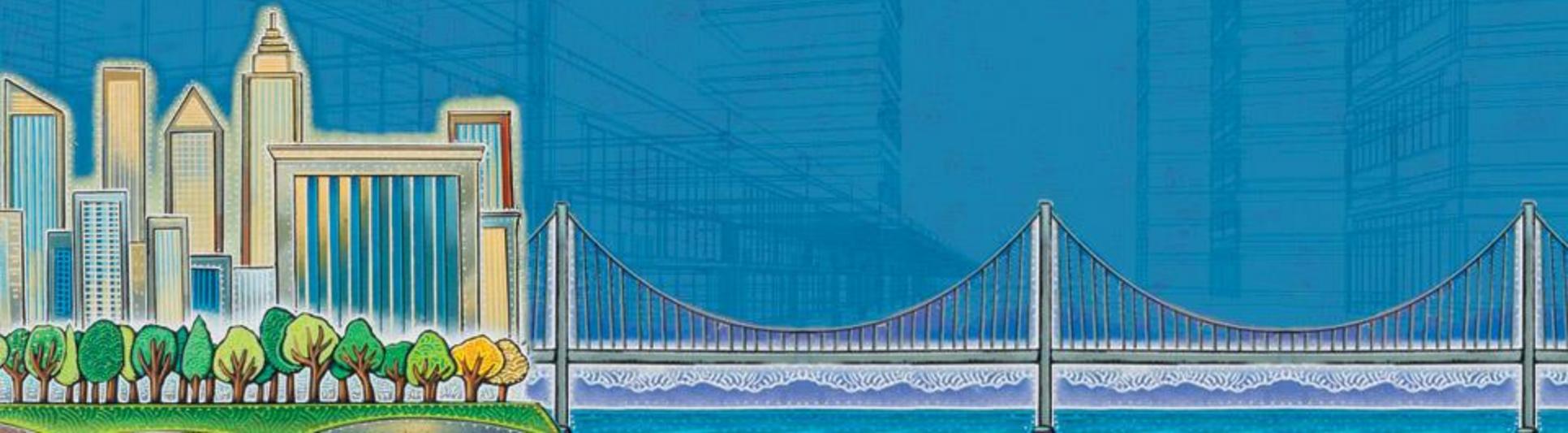


- ✓ **Emails**
- ✓ **Meeting Minutes**
- ✓ **Memoranda**
- ✓ **Formal Letters**





Call to Action

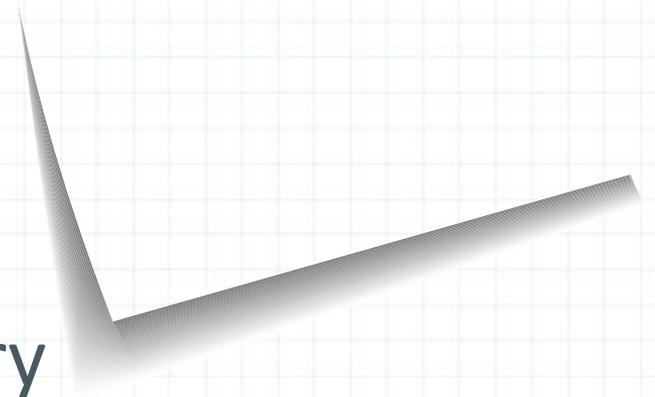


■ Client Checklist



Checklist

- Similar projects
- With your firm
- With other design firms
- Pay bills? On time?
- Disputes/Claims/Litigation history
- Timely decisions
- Communication
- Take it or leave it attitude



■ Best Practices to Manage Client Relationships

Build
Awareness

Manage Client
Expectations

Communicate

Educate Your
Client

Understand
the Impact of
Your Actions

Involve the
Project
Manager

Document!
Document!
Document!



Thank you for your time!

QUESTIONS??

This concludes The American Institute of Architects
Continuing Education Systems Program

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