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## Integrated Project Delivery

### What to do when the pie is shrinking...

By Leslie Kusek, Marketing Consultant

Focus, plan and execute. Be visible and deliver. Some professional service firms have already learned this lesson, and they have remained healthy through Michigan's current

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### New Tool to Battle Healthcare Costs

By Debra Gervase, PCIA Executive VP Group Benefits 810.224.5278 or [dgervase@pciaonline.com](mailto:dgervase@pciaonline.com).

As healthcare costs and employee benefit dissatisfaction continues to increase, there is considerable interest in finding viable methods of reducing medical costs for employees without

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### PCIA "Gets Personal"

By Tony Preston, PCIA VP Personal Lines 810.224.5267 or [tpreston@pciaonline.com](mailto:tpreston@pciaonline.com)

Did you know that PCIA is a specialist in auto and home coverage for your principals and employees? We also strive to keep you informed about changes to laws that impact your family. *(see Page 7)*

Integrated Project Delivery (IPD) is receiving a lot of press of late as the preferred project delivery method for the immediate future. Both the AIA and the AGC will have addressed IPD in their latest model documents. Proponents of sustainable design tout IPD as a near-necessity in order to gain full advantage of "going green."



The collaborative team concept at the core of IPD is relatively simple and similar to previous team-oriented project delivery models such as partnering. The logic goes like this: If key players in the design and construction process work collaboratively toward a common set of goals from design beginning to project end, they will reap the results of a higher quality and lower cost project with ample profits all around.

The concept is sound. Implementation is not so simple. Traditional project delivery methods such as design-bid-build have stressed the separation and distinction of roles among the key players. Blurring these lines of distinction presents opportunities for false assumptions, misunderstandings, errors, omissions and resulting liabilities.

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PROFESSIONAL CONCEPTS INSURANCE AGENCY

## Integrated Project Delivery

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Communication, then, becomes a critical factor in any IPD attempt.

Despite these drawbacks, IPD shares a distinct advantage over previous attempts at collaborative designing and building. Today, Building Information Modeling (BIM) software provides a greatly advanced tool for supporting true collaboration. Using BIM, team members share a common agreed-to database of project information that can be viewed, reviewed and adjusted with three-dimensional graphic representation.

### The IPD Team

The composition of an IPD team will vary depending on the nature of the project. However, the core members in virtually all IPD teams are the project owner or client, the lead designer and the contractor. These are the parties that must agree that shared project goals are the overriding concern. They must perceive each other as partners, not adversaries. They must be willing to take constructive criticism from each other and be flexible with their decisions when the other core team members agree on an opinion that is different than their own.

The owner must be clear and consistent with goals and needs, but must be willing to listen to the designer and contractor when they disagree on the means and methods of achieving those goals. The designer must be insistent on following solid design principles but must listen when owners and contractors raise budget or constructability concerns. Likewise, contractors must be willing to alter their

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### IPD Basics

The AIA California Counsel defines IPD as follows:

*Integrated Project Delivery ("IPD") is a project delivery approach that integrates people, systems, business structures and practices into a process that collaboratively harnesses the talents and insights of all participants to reduce waste and optimize efficiency through all phases of design, fabrication and construction.*

*IPD principles can be applied to a variety of contractual arrangements and IPD teams will usually include members well beyond the basic triad of owner, architect and contractor. At a minimum though, an Integrated Project includes tight collaboration between the owner, the architect, and the general contractor ultimately responsible for the construction of the project, from early design through project handover.*

The backbone of IPD success is the design and construction team. Successful IPD depends on the ability and willingness to adapt to a new way of doing business. It requires that familiar and sometimes comfortable walls and silos come down. It requires being open with your information and accepting constructive suggestions from other team members in areas that perhaps you have long considered your private domain. And above all, it requires trust.

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construction methods when the owner or designer put up a good argument that an alternative path may more effectively lead to project goals.

Beyond the big three, team members should also include any sub-consultant, subcontractor or other party who has a key roll in project success. These parties should be brought into the decision-making process whenever a question arises regarding their area of expertise. For some project types, a subconsultant or subcontractor may be a permanent member of the decision-making team. A structural engineer, for example, would be a central player in a bridge or parking garage project. A mechanical/electrical engineer would likely be a key play in a hospital or clean room project.

### Communication is the Key

For any collaborative project delivery method to work, parties must communicate early and often. The project team should be formed at the project's inception, as soon as key players are identified. An introductory meeting should be held to discuss the principles of IPD, align goals, define roles and gain commitment to the collaborative approach. A schedule of regular meetings needs to be established and procedures set for calling emergency meetings to discuss immediate project issues and upsets. Web-based videoconferences allow for frequent project meetings among project team members who are geographically dispersed.

The need for open and honest communication should be addressed at the first meeting. The project team should agree on ground rules and procedures for gathering, sharing and using information. It is not unusual for team members to express concerns about sharing sensitive information. Confidentiality agreements are often useful for alleviating such concerns and give members greater peace of mind about having open communications.

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## Healthcare Costs

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sacrificing cost-effectiveness for the employer. Recent developments in Health Reimbursement Arrangements (HRAs) have brought to light tax-advantaged employee benefit plans as a potential answer.

Employers are presented with two primary options to deal with this aforementioned increase in healthcare costs, but are faced with certain realities in tandem.

**Option:** Employers can revert to high deductible, higher out-of-pocket insurance policies.

**Reality:** While a high deductible insurance plan will control the cost of the premium, it will increase employees' exposure to uninsured medical expenses.

**Option:** Employers can shift a percentage of the premium to their employees.

**Reality:** Many businesses are reluctant to execute this shift as healthcare benefits are an attractive tool for employee recruitment and retention. Competition for professional talent requires strong benefit solutions.

*Our next issue will provide a detailed overview of HRAs and why they may be an attractive option.*



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### Contracts and Compensation



***Contracts associated with IPD tend to be more complicated than those used with traditional projects...***

In some cases, the client, design team, contractor and subs are all parties to a lengthy multi-party agreement. Such agreements spell out the roles, relationships, duties, rights and obligations of all parties. Each party's compensation may also be revealed in this shared document. Needless to say, drafting and agreeing to a multi-party agreement can be a costly and time consuming process. Therefore, these agreements are primarily used on larger projects where most parties have at least a basic understanding of and experience with IPD.

Even when more traditional contracts are used, provisions between the client and design firms and between prime consultants and subconsultants call for parties to commit to IPD principles. Language may also address relationships between parties when they

differ from traditional relationships under a design-bid-build approach.

Clear scopes of services become particularly important for IPD projects. Because roles and relationships can become blurred in a highly collaborative process, it is critical that contracts spell out who is responsible for what services being performed. These scopes should be thoroughly discussed by all key team members so that there are no misunderstandings about roles and responsibilities. Being collaborative and open to the suggestions of others does not alleviate your full responsibility for the services you are contracted to perform.

Another key contract clause is the one addressing dispute resolution. Logically, contracts for IPD projects will call for nonbinding mediation as the first choice for resolving any project upsets that can't be resolved internally. Nonbinding mediation supports the collaborative nature of IPD and encourages parties to settle disputes quickly and efficiently without expensive litigation.

Some IPD contracts go even further and include specific procedures for resolving disputes internally within the project team before going to an outside mediator, arbitrator or court. Others may even include a clause in which all parties agree to

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waive their rights to litigate against one another. While such language is admirable, it may not hold up in the event of a major project dispute. Therefore, mediation should be specified as the formal dispute resolution method of choice in the event the project team can't settle the dispute internally.

Compensation structures can also be more complex with IPD projects. Many proponents of this project delivery system feel that compensation should be directly tied to project success. Incentive compensation programs such as Gainsharing have been used successfully when inducements are clearly tied to the achievement of project milestones. Collaboration and teamwork increase when all parties can achieve financial gain by bringing in the project on time and under budget.

### IPD and Your Professional Liabilities

The collaborative spirit of Integrated Project Delivery will, in the long run, have a positive effect on professional liabilities. When project team members communicate openly and honestly, have a commitment to common goals, agree to non-litigious methods of dispute resolution and have a financial incentive to deliver a profitable project, they are more apt to resolve project issues and upsets in a quick, amicable manner.

As with any new procedure, however, IPD presents uncertainties that may increase some liabilities in the short term. For instance, care must be taken not to unwittingly take on another party's liabilities when engaged in collaborative efforts. Means and methods of construction and job site safety must clearly remain the responsibility of the contractor, even if the

***The collaborative spirit of IPD will, in the long run, have a positive effect on professional liabilities.***

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## Shrinking pie...

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economic tailspin. Others are panicking that the phone has stopped ringing. For these, the time has come to address some strategic questions:

- Where is the \$\$\$ ? Some markets remain healthy—what are they? Time to consider geographic diversification and new service areas. (But always focus on your existing and past client base first.)
- What are my core competencies and how can I use them to position for the work that's out there?
- What do I offer that my competitors don't?

Then make a plan. What needs to happen each day, each week, each month, each quarter to deliver work in the potential growth areas? Identify your targets and consistently, clearly communicate your expertise and differentiators: why should they do business with you? Track your activities and adjust. You can't wait for the phone to ring anymore!

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designer has offered opinions regarding the execution of his or her design. Client expectations must be carefully managed – a new project delivery method does not automatically result in an error-free project and significant cost savings.

Should a dispute go before a mediator, arbitrator, judge or jury, chances are there will be little precedent to call upon regarding nontraditional relationships or contract language. That makes it difficult to judge how an outside party might rule on a particular dispute. The insurance industry is also going to have to respond to IPD, potentially in the form of new types of forms, coverages and endorsements. Shared rewards and risks between clients, designers and contractors will present gray areas when it comes to current types of insurance coverage.

With a well drafted contract, a project team committed to the principles of the collaborative process and an emphasis on shared project goals, Integrated Project Delivery should logically lead to less litigious projects. Redefined roles and redrawn relationships are bound to raise new professional liability issues, but the underlying spirit of IPD appears to be an effective catalyst for litigation-free project delivery.

*The above material is provided for informational purposes only. Before taking any action that could have legal or other important consequences, speak with a qualified professional who can provide guidance that considers your own unique circumstances.*



### ***Can We Be of Assistance?***

*We may be able to help you by providing referrals to consultants, and by providing guidance relative to insurance issues, and even to certain preventives, from construction observation through the development and application of sound human resources management policies and procedures. Please call on us for assistance. 1.800.969.4041.*



## Tips you can use: New child restraint laws effective July 1 in Michigan



All children ages 12 and under should be properly restrained in a back seat on every ride. All 50 states and the District of Columbia have child occupant protection laws, which vary widely in their age requirements, exemptions, enforcement procedures and penalties. Many states have improved their laws to require some older children to ride in booster seats, and some require children of certain ages to ride in the rear seat of a motor vehicle. Check [www.safekids.org](http://www.safekids.org) to find out about currently effective laws.

### **Choose and use correctly the right restraint for your child:**

- Infants should ride in rear-facing car seats as long as possible, until they are at least 12 months old and weigh at least 20 pounds. Keep children rear-facing to 30-35 pounds if your car seat allows it.
- Children who are at least 1 year old, weigh 20-40 pounds and can no longer ride rear-facing should ride in forward-facing car seats secured with harnesses.
- Children more than 40 pounds should be correctly secured in belt-positioning booster seats or other appropriate child restraints until the adult lap and shoulder belts fit correctly (usually around age 8 and when the child is about 4'9" tall).

### **Any car seat must be installed and used according to the manufacturer's instructions and vehicle owner's manual.**

- Check [www.recalls.gov](http://www.recalls.gov) for car seat recalls.
- Return the product registration forms for all new car seats to the manufacturer to ensure you will be notified of any recalls.
- Only use a seat with all parts, instructions and labels.
- Check [www.nhtsa.dot.gov](http://www.nhtsa.dot.gov) to see if a car seat that has been in a crash passes NHTSA's test for continued use.

For more information, or to schedule an appointment to discuss personal insurance issues further, contact:  
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