CE News *"Risky Business"* No. 21

Yes. Yours *is* a risky business. Just review *Derailed by Dispute*, a CD ROM "book" I edited, comprising 76 case histories of good projects gone bad. The cases point out that risks stem from hundreds of causes. But how do you discover which risks affect you? Wouldn't it be wonderful if someone could develop a program that could do it for you; that could give you a heads-up before a molehill started its growth cycle? Well, someone has. It's called Peer Review, conceived in 1977 by ASFE/The Best People on Earth. ASFE borrowed heavily from the American Institute of Certified Public Accountants and, per agreement with AICPA, shared it with other interested organizations, most notably the American Council of Engineering Companies and the American Society of Civil Engineers, the latter having used it to develop peer review for public agencies.

How good is ASFE's Peer Review? In 1999, when reviewing the 125 most significant construction industry innovations of the past 125 years, *Engineering News-Record* magazine honored only one association, ASFE, in recognition of Peer Review. And appropriately so. The CEOs of just about all ASFE Member Firms that have been Peer Reviewed – almost one-third of ASFE's entire membership – have categorized Peer Review as outstandingly valuable.

In typical practice, a Peer Review begins when a firm's CEO identifies several candidate Peer Review Team Captains. Each is a peer; i.e., a principal of a firm similar to the CEO's, and also someone who is a veteran of many Peer Reviews. The CEO speaks with each candidate Captain and requests references. Then, after checking references, the CEO selects a Captain and, together with that Captain, hammers out a scope of service. Eight general areas – core management components, or CMCs – are involved:

- business management,
- facilities and technical resources,
- human resources management,
- professional development,
- project management,
- financial management,
- marketing and business development, and
- electronic resources management.

A Review can be focused on all eight, or just one, or anything in between, with any one, two, or more being stressed more so than others. Once the scope is decided, the Captain and CEO select other Team members (usually one or two, depending on the size of the office(s) being reviewed), who also are peers.

Prior to the site visit, which commonly lasts two to three days, the Peer Review Team issues a questionnaire to the Reviewed firm's staff and clients. Team members review results along with various firm-provided materials (e.g., organization charts, personnel policies manual). On site, the Team reviews additional materials, conducts interviews, formulates its findings and recommendations, and meets with the CEO (and, at the CEO's discretion, others) to relate the results.

In some cases, a Team discovers what was expected and provides the impetus for finally doing something about it; e.g., "Provide training on sales if you expect us to sell for the firm." In almost all cases, however, something unexpected turns up. In some cases, the unexpected is huge; e.g., "Unless you so something to improve John Doe's supervisorial skills, you're probably going to lose a few good people." And in all cases, the Team puts its collective head together to come up with recommended actions the CEO can apply to make the firm less risk-prone and more profitable.

CEOs often relate most of the findings and recommendations to the entire staff, to get firmwide buy-in. And it works, with significant improvement often being the outcome, lowering risk in a variety of areas.

Some professional liability insurers provide credit to firms that go through Peer Review. Terra Insurance Company *(Corte Madera, CA)* pays almost 100% of the cost. Why? Terra CEO Dave Coduto sums it up in two words: "Less risk," and Terra's track record proves it works.

Believe it or not, most civil engineering firms that are aware of Peer Review are *unwilling* to undergo one. Why? The usual answer is something akin to, "I know I should. I know. I know." And then nothing happens. I guess CEOs are embarrassed to have peers discover their weaknesses, which is really selfish, given that those weaknesses can lead to liability losses that harm everyone in the firm. Fear might be another reason; arrogance, too ("We're the best there is"), along with blind optimism ("We've never been sued in the past. Therefore, we'll never be sued in the future").

Want 76 really good reasons for signing up for a Peer Review? Go to the ASFE virtual book shop (www.asfe.org) and order a copy of *Derailed by Dispute*. Then ask your professional liability insurer to help defray the modest cost. If your insurer says it believes it unwise to pay insureds for lowering its risks, go to www.terrarrg.com for a second opinion!