

MEMORANDUM

TO: Building Committee
FROM: Douglas Downs, P.E.
RE: Risk Management

I want you to know how honored I am that you chose our firm for this prestigious commission. Before we take the next step – finalizing the contract – you need to know something important: The building committees of nonprofit organizations like yours become embroiled in a disproportionate number of claims and disputes with the design professionals and contractors they retain for their projects. ASFE/The Best People on Earth has researched this issue and has developed a variety of techniques to help its member firms prevent problems, for the benefit of *all* project participants.

Issue One: Overall Approach “Cheap construction is expensive,” because shortcuts frequently cause problems whose cost far exceeds whatever savings the shortcuts were supposed to lead to. By building quality into the design professionals’ scopes of service and by dealing with contractors known to take pride in their work, we can keep problems to the bone and achieve the long-term (and, often, short-term) cost-effectiveness that is the hallmark of good quality.

Issue Two: Lack of Continuity Yours is a ten-person committee, so one or two members probably will miss each meeting, causing the collective memory of the owner’s representative to change from meeting to meeting. To avoid the problems this situation commonly leads to, those who cannot attend in person should be encouraged to attend by call-in, and we need to keep comprehensive minutes or tape-record each meeting so those who cannot attend by conference call can get themselves “up-to-speed” before the next meeting after the one they missed. (This may sound silly, but experience suggests each person who cannot attend should promise to read the minutes or listen to the tape recording before the next meeting.)

Issue Three: Ego I doubt this will be a problem, but I need to put it on the table: Some of you are or were an organization’s CEOs and, as a result, may be accustomed to making decisions on your own. Committees work differently, as you know, and sometimes this difference can be chafing. Let’s face it: Strong organizational leaders like you seldom get to the top spot by being good committee members. In addition, of course, you all are leaders of the “client organization” and leaders of our community. And that’s one of the reasons I’m writing this memo: You are the community’s “establishment,” so I want everything to proceed smoothly. You do, too, of course, and, toward that end, I encourage you to develop operating procedures if you have not done so already. For example, while one would hope that decisions will be unanimous, it may not work out that way. Will a majority vote be enough? A two-thirds majority? Those on the losing side need to move on gracefully, and in all respects meetings should be marked by appropriate decorum. Those with questions should feel free to ask them. Those with ideas should feel free to share them. Time will always be limited, of course, so it may be helpful to ask questions, share insights, etc. by e-mail between meetings so we can cover everything important expeditiously.

Issue Four: Emergency Decisions I will do my best to make these unnecessary, but things happen: unforeseen material shortages; unusual weather or other natural events; etc. Being able to respond quickly can make all the difference; involving the full committee will slow things down. I suggest that you form a three-person executive committee with two alternates, permitting us to convene and conduct business quickly on short notice. Again, I would hope we do not have to convene the group.

Issue Five: Construction Realities Construction is complex. While I will do my best to be realistic about costs and schedules, recognize that grand openings seldom occur on schedule or for the original budget. Above all, we do not want to jeopardize quality to meet a budget that was too low or a schedule that was too compressed. I urge you to underpromise so we can overdeliver. I believe we would all love to read the headline, “Committee delivers ahead of schedule and under budget.”

Issue Six: Fee As you know, I am a fellow member. While I would like to extend a “special rate,” doing so would be unwise. Staff members who will participate in this project appreciate the importance of profit, because profit funds their bonuses, their profit-sharing retirement funding, new equipment, and so on. If the project is set up to be less profitable than others, their commitment to the project could be affected, and that could lead to problems we cannot afford. Accordingly, I plan to charge our usual fee and, once we have completed the project, we will compute the profit and donate 50% of it.

While effectively addressing these six issues will not ensure a perfect project, it should help reduce known risks substantially. “Do it right or don’t do it,” ASFE says. Addressing these issues will help us do it right.