

This is Part 2 of a column begun in the [??November??] issue of CE News, focusing on spotting the symptoms of problems and responding to them quickly, to avoid claims altogether.

In the previous column, we pointed out how important it is to put yourself in your client representative's shoes in order to provide the correct response both before and after a problem occurs. Ignore your own feelings and emotions. Your goal should be the maintenance of a delighted client representative, or at least the prevention of a claim or a claim plus litigation.

You can rest pretty well assured that, when the client representative leaves an angry voice mail, you're in trouble. The same can be said about any type of angry response toward you or your firm, any type of sarcastic statement, or any other type of comment or behavior that indicates the client representative holds you and/or your firm in low esteem, or regards either of you as less than professional.

Other symptoms tend to be more subtle. One of the most significant of these is the client's failure to pay on time (if the client has a history of timely payment) or, worse, its failure to pay at all. "No pay" can signify a belief that the client owes you nothing because of an error you made, or it could be due to a client's difficult financial situation. The latter situation could lead to corner-cutting and the potential for your firm – and you – being left holding the proverbial bag.

Client representatives' failure to return your calls could be a symptom of problems. Maybe they're avoiding you because they don't have enough cash

to pay, or because they're angry, or, possibly, because their boss or "someone in legal" told them to discontinue discussions with you, given the coming clunk of a guillotine blade. The same could be said of a client representative's obvious desire to avoid you at an association meeting or some other get-together.

A broken promise to "get back to you" could signify a problem. So could the client's failure to invite you to a project progress meeting or to meetings with other members of the design and/or construction team.

If you're a project manager, what should you be doing when you detect a symptom, or when your "gut" tells you that "something's not right"? Well, if your firm has developed good habits, you would immediately know (thanks to what you've been taught) that any problem has the potential of becoming a major problem, so treat each problem as HUGE. Essential: You would *never* try to avoid the situation, as by saying, "I have a lot to get done. I'm probably just overreacting. It'll get better if I ignore it."

Wise firms have a Special Procedures And Tactics (SPAT) team in place, not just to educate and train project managers, but to give advice or get involved immediately after someone on staff detects a potential problem. The individuals who comprise a SPAT team commonly have made many mistakes themselves, and thus have gained wisdom.

A firm can solve most of client problems by applying what Terra Insurance Co. CEO David L. Coduto calls "financial fortitude." Stated another way, most difficulties involve money and thus can be assuaged with money; we

are talking business, after all. And because we're also talking people, humility is a good assuager, too.

"I killed myself to get the deliverables to that guy, and he called and left me a nasty message," the SPAT team representative hears. But then she asks questions and learns that the project manager failed to give the client rep a heads-up. She explains why such warnings are needed, and equips the project manager with guidance and resources: "Call and apologize. Take the person to lunch and tell him you want to make it up. Tell him the company will give them a credit on the next project equivalent to the amount of the extra on this one." Or, if the situation looks more serious, "Offer to cut the extra in half or waive it altogether."

Doesn't that seem like too much? Not at all. Consider this: Even a small dust-up costs a firm about \$50,000, in terms of direct cash outlays that contribute toward a deductible; the value of otherwise-productive time spent researching the case, developing a narrative, etc.; meeting with legal staff and experts; and loss of opportunity when those who ordinarily would be issuing proposals instead have to track the progress of a claim.

It gets worse. Given that a firm would be doing well to achieve a net profit of 10%, \$50,000 out-of-pocket is earned from \$500,000 in fees. If a firm's net profit is 5%, it would take \$1 million in fees to earn that \$50,000. Wise firms understand that. They also know that, if they offer to give a client a \$10,000 discount "next time," they will have secured the next project, and probably for an out-of-pocket cash outlay of \$3,000 or less, considering the

multiplier. And they’ll retain a good client, something that can be worth millions of dollars over time.

Problems that arise during construction can be worse, which is why staying in contact with the client representative during the construction phase is so important: You want to be apprised immediately of any problem. Case histories show that firms do well when they immediately investigate a problem. They do not bother to ask, “Who’s going to pay for this,” because they understand the value of making problems go away. Senior management usually makes the decision to move forward like that, and a representative of senior management would be assigned to the SPAT team assembled specifically to resolve the problem. In all cases, however, firms should keep track of their time and expenses, because – when they discover that others were at fault – the client is usually happy to pay them their fee (given that the real culprit often is required to reimburse the client for the expense).

Here’s the key issue: This is not rocket science. Every firm would benefit from establishing a SPAT team to train and counsel project managers and to get directly involved when the situation is that dire. Any SPAT team members who have not made many mistakes themselves may need to learn from those who have. An excellent source are the case histories developed by ASFE/The Best People on Earth, available at www.asfe.org. Many firms use them for training purposes as well, realizing that the value of keeping molehills molehills cannot be overstated. To achieve that outcome, they emphasize to all personnel that there is nothing wrong – in fact, that there is everything right – about reporting problems or gut feelings to a group of

seasoned "pros" who can given the advice – and budget – required to defuse a problem and, in some cases, turn it into an opportunity.

And this final point: None of this is supposition or hypothetical. These are techniques used by some of the best-managed design professional firms in America. They don't have claims. This stuff works.