DEVELOPING SATISFIED CLIENTS:
6 STEPS THAT CAN SAVE YOUR ASSETS

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Design Professional unit of XL Group

Michael Ellegood
PSMJ Resources, Inc.
September 18, 2012

Using the Technology

To minimize the meeting panel, click the arrow

To adjust your screen size, click on the screen button at the lower right corner and then select “full screen”
Webinar leaders

Michael S. Ellegood, PE, is a former public works director, county engineer and transportation director. He also is a former engineering consultant with extensive experience in transportation project delivery. He now provides training and assistance to public works agencies across North America to improve their project delivery. He has written extensively for technical publications including Engineering News Record and PSMJ Project Management Journal. He is a regular speaker at the APWA Annual Congress and at selected statewide APWA gatherings.

Bob vanArsdall has worked in engineering and consulting since 1983 and has been with XL Group’s Design Professional unit since 1996. As an author, vanArsdall has contributed to national and international business publications, and is called on frequently to speak on marketing and management issues at industry, national, and international forums. He has been a frequent speaker at the US national and regional AIA conferences, ACEC conferences, and at GLOBE in Canada.

About XL Group’s Design Professional Unit

Specially designed loss prevention for today’s A/E firms

Having served both large and small A/E firms for more than 40 years, we understand the challenges today’s design professionals face, and we’ve tailored our solutions to their unique risks and requirements.

Our mission is simple: to bring policyholders the resources and protection they need to run a successful business.

• Our innovative professional liability insurance programs offer broad, cost-effective coverage that’s tailored to your firm.
• Industry-leading educational programs draw on real claims data to help you implement proven risk management techniques.
• Through a dedicated national network of underwriters, claims consultants, agents and loss prevention specialists, we work with each of our clients to reduce the cost of loss and preserve valuable business relationships.
About PSMJ

- Content Providers of Management Information
- Focused Exclusively on the A/E/C Industry for over 30 years

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Learning objectives

After participating in this webinar, you will learn:

- How communication problems between owners and designers lead to unfulfilled client expectations.
- How unfulfilled client expectations lead to budget over-runs, schedule creep, loss of potential profit, and the potential for lawsuits.
- How to assess your own firm’s level of gauging client expectations, and have tools to track their delivery.
- How to identify, avoid, and manage the most frequent problems designers encounter in meeting client expectations.
Agenda

- Introduction – PSMJ and XL Group’s, Design Professional unit
  - What is the problem?
  - How do you know?

- Six Steps for Managing Client Expectations

- Conclusions & Recommendations

- Questions? (Write questions as you monitor the webinar. All questions not answered in the Q&A section will be answered via e-mailed to all attendees.)

First, a Short Quiz…
A client expectation quiz

Put yourself in this design professional’s shoes...

• You’re well known within the metro area for designing the kind of house that makes most luxury homes look like in-law apartments.

• A couple asks you to design a similar house for them, but they’re on a budget. It’s a seven-figure budget, but only about half of what you’re accustomed to.

A client expectation quiz

Do you:

a) Politely tell the couple that you don’t accept projects in their budget range and refer them to an architect who does?

b) Discuss their needs and wishes in order to determine whether you’re the right architect for them?

c) Give them a tour of your most expensive homes, which leads to the wife saying she wants exactly that type of home in a different neighborhood and within their budget, and then take them on as clients?
Client expectation quiz

Please select your answer using the poll button.

You should be able to watch the responses from all attendees

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A client expectation quiz

**Do you:**

a) Polite ly tell the couple that you don't accept projects in their budget range and refer them to an architect who does?

b) Discuss their needs and wishes in order to determine whether you're the right architect for them?

c) Give them a tour of your most expensive homes, which leads to the wife saying she wants exactly that type of home in a different neighborhood and within their budget, and then take them on as clients?
The risks of unrealistic client expectations

Some clients:

• want sterling silver projects delivered at plasticware prices
• believe Rome WAS built in a day

A tale of two clients

The same architectural firm headed up two similar projects for two very different clients involving the fast-tracked design of medical clinics:

**Experienced client**

• Client was a developer/architect
• Included contingency in the budget

**Inexperienced client**

• Client blamed the architect for errors and omissions
• Demanded payment for changes
Top 4 non-technical Risk Drivers

Percentage of Claims Affected

- **Negotiation and Contracts**: 23%
- **Client Selection**: 16%
- **Project Team Capabilities**: 24% (2001), 25% (2011)
- **Communication**: 39%

Negotiation and contract issues

- **38%** - Unclear or inappropriate scope
- **16%** - No formal project evaluation
- **12%** - No contract before work started
- **8%** - Lack of construction phase services
- **8%** - Other
- **6%** - Lack of mediation clause
- **5%** - No contingency fund
- **3%** - Deal Breakers in contract
- **2%** - Client agreement not reviewed by lawyer
- **2%** - Field staff didn't have/understand contract
- **1%** - Client agreement not reviewed by senior management
Client selection issues

- 44% - Client inexperienced in design issues
- 22% - Client has history of claims / litigation
- 17% - Client in Poor Financial Condition
- 7% - Client behind in fee payments
- 4% - Contractor selection
- 4% - No Formal Review of client
- 3% - Other
- 1% - Client not receptive to ADR

Communication issues

- 51% - Lack of procedure to identify conflicts, errors and omissions
- 17% - Project issues and potential disputes not handled correctly
- 13% - Scope of services not explained to client
- 9% - Lack of documentation re: changes in scope, budget, etc.
- 6% - Project staff not aware of responsibilities
- 3% - Other
- 1% - Regular progress reports regarding changes not approved
Who pays for unrealistic expectations?

You do.
Solution: Find out what drives the client

Managing the client’s expectations or expect to be managed
What makes managing client expectations so difficult?

Designers and Owners often talk different languages

To A/E’s “design” is a verb.
To Owners “design” is a noun.

Frequent Owner Statement:
“I don’t want an engineer, I want a building.”
Owners and A/E’s differ on what skills the A/E should provide

<table>
<thead>
<tr>
<th>The A/E View</th>
<th>The Client View</th>
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<tbody>
<tr>
<td>• Technical knowledge</td>
<td>• Communication skills</td>
</tr>
<tr>
<td>• Experience</td>
<td>• Business acumen</td>
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<td>• Experience</td>
</tr>
<tr>
<td>• Business acumen</td>
<td>• Technical knowledge</td>
</tr>
</tbody>
</table>

The business reality

- Scope
- Schedule
- Cost
The client perspective

Better

Faster

Cheaper

The designer’s perspective

It can always be improved

It will be ready when I’m finished

It costs what it costs
Reality check

• From a firm-wide perspective, what grade would you give yourself on your current success at managing client expectations?

• Why? What evidence supports your conclusion?
Step One:

Understand your client’s experience level

Remember the Risk Driver℠ “Client Inexperienced in Design”?

Critical Success Factors (CSFs)

• Those half dozen or less factors that the client has identified as essential for a successful project.

• They can be notional but must be able to be further defined into measurable and achievable outcomes.

• Both designer and client must agree that these are essential and achievable.

• Important: don’t assume that the client is at all familiar with project delivery—remember, the client does not want an engineer or designer, he wants the project.
It’s your job to help the client define their expectations

<table>
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<tr>
<th>Client’s Vaguely Defined Goals</th>
<th>Critical Success Factors - Performance Metrics</th>
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<tbody>
<tr>
<td>Attractive building</td>
<td>Approved by design committee</td>
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<tr>
<td>Environmentally friendly</td>
<td>LEED gold</td>
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<tr>
<td>Adequate parking</td>
<td>Parking for 45 cars</td>
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<tr>
<td>Reasonable cost</td>
<td>Cost &lt; $200/s.f.</td>
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<tr>
<td>Minimal change orders</td>
<td>Change orders &lt; 3%</td>
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Know your client’s experience level

**Does the client have experience with:**

- Design and construction projects?
- This project type?
- Budgets of this size?
Potential problems

• No experience with design and construction projects?
  • Unaware of the impact of late (or no) decision-making
  • Unprepared for contingencies (fee or schedule)
  • Unrealistic budget expectations
  • Expectation for “perfection”

• No experience in this project type
  • Vertical vs. horizontal construction
  • Public vs. Private projects

• No experience with budgets of this size.
  • Unable to manage at either higher or lower budget levels
  • Necessity of approvals on large projects

Strategies to manage client expectations

• Clarify roles, responsibilities and expectations with your client
• Understand the owner’s goals in taking on the project
• Understand how your design furthers their business
• Prepare a short project summary for your team
Project summary

- **Client**: ABC Development Corporation
- **Project**: Metropolis Mall #3
- **Summary**: Greenfield development of 70,000 sq. ft. mixed-use retail mall, targeted to upscale clients in a 40-mile radius of the site.

• **Client Goals:**
  - **Scope**
  - **Schedule**
  - **Cost**

• **Billing**: Cost plus negotiated fee, net 30, billed on first of month

• **Challenges**: Deliver upscale work rapidly

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Developing Satisfied Clients:
6 Steps That Can Save Your Assets

1. Understand your clients experience level
2. Write a tight scope
Step Two: Write a tight scope

- Using the client’s expectations as a backdrop, write a scope that defines:
  - What you will do
  - What you will **not** do - others’ responsibilities
  - Owner’s responsibilities on the project

Use a checklist to define client requirements

1. Pre-design questionnaire
2. Drawing & specs format
3. Civil design criteria
   - Survey
   - Permits
   - Zoning
   - Roadways
   - Site work
   - Underground utilities
   - Erosion control
   - Design storm event
   - Fencing
   - Battery limits
   - Laydown areas
4. Structural design criteria
   - Concrete materials
   - Reinforcing materials
   - Finishes
   - Geotechnical summary
   - Code summary
   - Steel framing
   - Material handling
   - Platform loading
5. Traffic systems criteria
   - Tollway structures
   - Toll collection equipment
   - Lighting
   - Signals
Developing Satisfied Clients: 6 Steps That Can Save Your Assets

1. Understand your clients experience level
2. Write a tight scope
3. Plan for communication

Step Three: Plan for communication

- Remember the single largest Risk Driver℠!
- Plan for frequent short qualitative communications on the project.
Plan for proactive client communications

Regularly Scheduled Meetings

Regularly Scheduled Phone Calls

Regularly Scheduled Progress Reports

Communicating the story

**All client interaction**

1. You initiate
2. Same day and time
3. Decide on schedule at kick-off meeting
4. You and your client mark the dates/times on your appointment calendars

**Progress Report with a twist**

1. What did we accomplish last week?
2. What will we accomplish this week?
3. Scope changes/Value added to date
4. Budget status/Percent complete
5. Schedule status/Deliverable status
6. Input needed from client or others?
7. Other issues/concerns
Does proactive communication take too much time?

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<th>Time (hours per week)</th>
<th>Weekly Client Interaction</th>
<th>Time to Prepare Status Report</th>
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<td>0</td>
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<tr>
<td>With Regular Contact</td>
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</tr>
<tr>
<td>Preparing Status Report</td>
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<td>1</td>
</tr>
</tbody>
</table>

To: johnsmith@designproaia.com
From: Smith@smithcontractinginc.com

John – good to see you at the site today. Please confirm that we can make the changes we discussed and let me know if you are free for lunch Thursday.

Harry

To: Smith@smithcontractinginc.com
From: johnsmith@designproaia.com

Harry – yes
John
### Documentation Do’s and Don’ts

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<td>1. Document client commitments</td>
<td>1. Document internal criticisms</td>
</tr>
<tr>
<td>2. Document 3rd party commitments</td>
<td>2. Assume that internal emails won’t be seen by your clients or other claimants</td>
</tr>
<tr>
<td>3. Carefully review all documentation as part of your standard project close-out procedures</td>
<td>3. Keep unnecessary documentation beyond project closeout</td>
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</tbody>
</table>

### Developing Satisfied Clients: 6 Steps That Can Save Your Assets

1. Understand your clients experience level
2. Write a tight scope
3. Plan for communication
4. Go to the site
Step Four: Go to the site

• CA services are essential to the integrity of your design
• Be wary of owners who try to limit or eliminate your role in CA
• If you state you will go X times, make sure to go X times (and not X-1 times)
• Prepare reports weekly

Owner Weekly Report

• Progress made during the week
• Planned accomplishments
• Scope, budget, schedule status
• Delivery status
• Client input, responsibilities
• Never let your client be surprised!
Accomplishments this Week:

- We completed our responses to the State oversight review agency. The Schematic Project Status Report for Week Ending 07/31/2012 Review Comments were forwarded to the Client, who in turn forwarded it to the State oversight review agency.
- The Client’s Schematic Review Comments are still being received.
- The Client’s Schematic Review Comments received to date have been answered by our Project Manager (PM) and a complete record will be forwarded to the Client when all comments have been received and answered by the PM.
- Approval was received that the mechanical screen on the roof is acceptable to the Client and the Department of Historic Resources. Materials still have to be worked out.
- The window replacement letter of justification was forwarded to the Client for formalizing acceptance by the Department of Historic Resources.
- The Design Development Phase of the project was kicked off.

Anticipated Accomplishments for Next Week:

- Presuming we receive the Client’s final Schematic Review Comments, we will submit our responses to the Client.
- The ceiling coordination meeting is to be held in-house with disciplines.
- Our PM will interact with the Department of Historic Resources in regard to their questions on the materials for the retaining wall construction and window replacement.

Scope Changes/Value-Added to Date:

- Retaining wall replacement has been added to the original scope of work. A fee proposal will be forthcoming.
- With the Client switching to the procurement method of CM at Risk, our PM and the Client will have to discuss and clearly define our role and responsibilities during this process and make an assessment of the hours currently carried for a “design/bid/build” procurement process versus the CM at Risk Procurement Process.
Project Status Report for Week Ending 07/31/2012

**Budget Status/Percent Complete:**
- The Construction Budget looks sufficient at this time.
- Our PM has completed Schematic Development and is starting Design Development Documents.

**Schedule Status/Delivery Status:**
- We are on schedule. Responses have been made to the State design oversight review agency's comments and Design Development Submission will be made on September, 14, 2006.
- Based on discussions with Client Representative John Smith regarding the Client's anticipated CM at Risk Procurement of this project, our PM has amended the project schedule to include the dates that the Client has proposed for CM at Risk milestones. More in-depth discussions will need to be held regarding the dates as the Client firms up its procurement expectations. See attached Schedule A.

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Input Needed from Client:
- Client verification needed of CM at Risk schedule and our scope of involvement.
- We need remainder of Client Schematic Review Comments to be sent so that Schematic phase can be formally completed.

Other Issues & Concerns
Developing Satisfied Clients: 6 Steps That Can Save Your Assets

1. Understand your clients’ experience level
2. Write a tight scope
3. Plan for communication
4. Go to the site
5. Know where projects go awry

Step Five: Know Where Projects Go Awry

- Different projects (and owners) have different reasons for going off their projected paths
- Understand the commonality of some types of projects
- Prepare for the expected hiccups
- Again – never let your client be surprised
The spectrum of risks

### DISCIPLINE
- **LOW**
  - Electrical
  - Interior Design
  - Landscape Architecture
  - Survey
- **MEDIUM**
  - Civil
  - Architecture Commercial
  - Commercial
- **HIGH**
  - Mechanical
  - Environmental
  - Geotechnical

### TYPE OF PROJECT
- **LOW**
  - Roads/Highway
  - Commercial
  - Malls
  - Retail
  - Industrial Buildings
- **MEDIUM**
  - Hospitals
  - Wastewater
  - Schools
  - Universities
- **HIGH**
  - Residential/Condos
  - Bridges/Tunnels

### CLIENTS
- **Industrial**
- **Government**
- **Developers**

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Elements most often involved

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Largest claim triggers

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Developing Satisfied Clients: 6 Steps That Can Save Your Assets

1. Understand your clients experience level
2. Write a tight scope
3. Plan for communication
4. Go to the site
5. Know where projects go awry
6. Use Project Closeout
Step Six: Use project closeout

- Summarize the client expectations and the completed status
- Recognize any project variances and explain how they can be avoided next time
- Prepare an action plan for how a future project could be improved
- It is your best time to sell into future work

Finally—measure your performance

- There is no substitute for quantitative and qualitative feedback from your clients
- Best done by third parties
- Tools are available on-line
Client Survey

PSMJ can provide third party client surveys which measures client perception in seven areas:
• Helpfulness
• Responsiveness
• Quality
• Accuracy
• Schedule
• Budget
• Scope and fees

Finally: Other Comments

Each Firm That Enters Receives a Summary Like This

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<td>40</td>
<td>18</td>
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</table>
…Plus Narrative Feedback from Each Client Surveyed

| 1. | Compared to other firms in your profession, your firm has been able to enjoy your problems and meet your needs. |
| 2. | Compared to others in your profession, how well does the firm handle the firm when you need their assistance? |
| 3. | Compared to others in your profession, you consider the following the firm's general work of average quality? |
| 4. | Compared to others in your profession, how compatible was the firm with your project's overall goals? |
| 5. | Compared to others in your profession, how well has the firm done its part to help you manage your project’s overall goals? |
| 6. | Compared to others in your profession, how valuable have the projects been overall during their use? |

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Developing Satisfied Clients: 6 Steps That Can Save Your Assets

Putting it all together

1. Understand your client's experience level
2. Develop a tight scope
3. Communication plan
4. Go to the site
5. Know how your projects go awry
6. Project closeout
Questions?

Thank You

If you have further questions or comments or need more help…

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