

Planning for and managing crisis

Does your firm have a crisis plan? Here are some tips to create one so you can be ready if disaster strikes.



Mike
Herlihy

GUEST SPEAKER

At some point, any A/E firm might face a serious crisis. The causes can range from an injury or death to environmental contamination, construction delays, or cost overruns caused by an actual or alleged design error. Additional risks arise from disputes with contractors or project owners, legacy exposures from a merger or acquisition, and even hacking incidents.

Besides potentially substantial legal and business costs, a crisis that isn't managed effectively can leave firms with enduring reputational damage that can negatively impact new business and hiring efforts. Today, sound risk management for design firms should include crisis planning; if an event occurs, the firm is in position to manage the situation, recover quickly, and limit potential reputation damage.

IDENTIFY POSSIBLE RISKS AND CREATE A CRISIS PLAN. Effective crisis planning starts with understanding your potential exposures and developing a plan to address them. Key components of a plan might include:

- Listing all potential exposures that could lead to a crisis (e.g., death of a principal, collapse or other accident at a project site, significant cost-overrun).
- Establishing a crisis team with a designated team leader and members of your firm's leadership, risk management, human resources, legal, communications, finance, facilities/real estate, and any external providers for these functions. Include your outside legal counsel, insurance advisor, and insurance company contacts.
- Developing a communications strategy for contacting and responding to inquiries from employees, current and former clients, the news media, regulatory and legal authorities, and other key audiences. Prepare call trees with multiple contact details for all appropriate individuals. Consider including contact information for emergency management, OSHA officials, law enforcement, and first responders at current and former jobsites.
- Sharing the plan with all managers and professionals who will be impacted or called upon to act in the event of a crisis. Direct all questions and other communication to the team leader.

EARLY AND EFFECTIVE CRISIS RESPONSE IS KEY. The initial hours following an incident are extremely important for obtaining needed assistance, gathering information, and checking your strategy. Here are some keys to manage a crisis:

“Today, sound risk management for design firms should include crisis planning, so, if an event occurs, the firm is in position to manage the situation, recover quickly, and limit potential reputation damage.”

- Notify the team leader immediately and assemble your crisis team.
- Share information within your crisis team so every member is aware of any developments.
- Work with your legal and communications team members to implement your communications strategy, including timing and content of any messaging for employees, current and former clients, public officials, and the news media.
- Advise employees not to speak to the media or others outside the firm and to refer inquiries to the crisis team for response.
- Although crisis communications plans are developed in advance, messages and activities may have to be refined given the specifics of an event. Remain flexible.
- Depending on the circumstances, you may need to cooperate with emergency officials, law enforcement, first responders, and OSHA. (Identify these key contacts in advance.)

DON'T IGNORE PROJECT-RELATED RISK. Much of the risk for design professionals arises from work conducted on specific projects. In addressing this risk, A/E firms might reinforce their process controls, including:

- Strengthening design services quality assurance and quality control; also, be sure to choose qualified consultants, particularly for structural, HVAC, and building envelope.

See MIKE HERLIHY, page 12



MIKE HERLIHY, from page 11

- Establishing a pre-project planning checklist with an agreed-upon schedule for submittals and a change-order approval process. Maintain a complete list of project contacts, including key contractor personnel.
- Requiring written documentation of all site observations, submittal reviews, payment application reviews, and consultant’s Certificate of Substantial Completion. Detailed and complete documentation are essential should a problem arise.
- Implementing review procedures for documents and deliverables, including appropriate peer review, and consider establishing a constructability review process.

CONSTRUCTION TEAM RELATIONSHIPS MATTER. You can also avoid potential problems by strengthening your firm’s relationship management with contractors and other members of the construction team. In particular, focus on the following:

- Respond in a timely manner to RFIs, shop drawings, and any other submittals;
- Make sure contractors stick to schedule and report when they don’t;
- Avoid assisting with construction ways, means, methods, or additional services if contractor falls behind.

DEVELOP AN EARLY WARNING SYSTEM. Firms also should have procedures to alert management of potential problems and warning signs, including:

- Contractor concerns that drawings lack necessary detail, are delaying the project, or driving up costs;
- An unusually high number of RFIs;
- Escalating project costs;
- Concerns by the owner about the project’s progress, look, or

quality;

- Contractor alleging delays in review and approval of submittals;
- Any injuries occurring on the site;
- Refusal to pay invoices;
- Disputes between owner and contractor.

RECOVERY AND INSURANCE. Whenever significant problems arise, your team leader should contact those members of your crisis management team who can assist. This likely will include your insurance broker who can then engage your insurer to help you gain the full benefits of insurance. For instance, some insurers provide “pre-claim” assistance at no additional cost.

In particular, the professional liability insurance policy is there to protect the architect or engineer and help defend your reputation. Design firms should also be aware of their obligation to report circumstances under their insurance policies. In most cases, it makes sense to report a problem before it becomes a formal claim. While this isn’t always required by your insurance policy, filing a pre-claim or circumstance notice can provide access to important insurance company resources and ensure there is insurance coverage for a related claim.

Effective crisis management requires careful planning and timely execution. A well-structured risk management plan, supported by a team of professionals and a solid insurance program can help with several aspects of the recovery process. The key is recognizing the value of pre-planning and utilizing the capabilities of your risk advisor and others to assist. ▀

MIKE HERLIHY is an executive vice president and equity partner at Ames & Gough. Contact him at mherlihy@amesgough.com.