

Business

Keeping the Design Phase on Track

by Paul Eldrenkamp

I've long appreciated the advantages of design/build. This approach to construction removes you from the rat race of competitive bidding. It enables you to get reimbursed for the many hours typically spent on the design phase of a project. Most important, it ensures

that even as you provide clients with the best possible job for their money, you make an honest profit.

Despite the greater control you gain with design/build, though, keeping the design phase on track can be a real challenge.



Byggmeister, Inc.

Residential and light commercial remodeling

Design phase questions (to be reviewed twice a month):

Date: _____ Project name: _____

- 1) Should we be doing this job?
 - Is this client someone we should be working for?
 - Is this the type of job we do well with?
 - Does the scale of the job match our strengths?
- 2) Design-professional questions
 - What architect is involved? If an outside architect, does he/she know what we need?
 - Is our own product-selection coordinator involved? If not, who will be filling that role and do they know what we need?
- 3) Bailout
 - Should we bail out? If so, how?
- 4) Budget questions
 - Have we come up with schemes representing 3 price points? Do we need to?
 - When was the last date the client got an updated budget?
 - How does the current budget compare with that previous budget the client received?
 - What's the budget amount shown on the design-fee billing statement?
 - Is the job-cost tracking grid current?
 - Is the document-tracking grid current?
- 5) Schedule questions
 - Given where we are in the design process, when can we realistically expect to start?
 - How does that start date compare with client expectations?
 - Is it time for a schedule reality check with the client?
- 6) What are the next three meetings we need to be having about this project and with whom? (client, subs, building or zoning, Byggmeister staff?)
 1. _____
 2. _____
 3. _____
- 7) Has there been a long hiatus in the design process that would warrant starting over with pricing?
- 8) What are the next drawings the architect will deliver, and when?

Big Ifs

If your designer is able to come up with a successful plan with only a few iterations; if the client makes decisions quickly and can hold to them; if your initial guess at the budget turns out to have been a good one; and if you have a crew available to build the project when all the design and documentation is complete, then everything marches right along and design flows smoothly into construction.

But projects don't always follow this textbook scenario. More often, the process gets hung up on something: Your initial budget guess turns out to have been too low by 50 percent and you have to make some depressing scope reductions. The clients keep asking for things that just don't make sense and you spin your wheels explaining what you think should be obvious. You have a hard time finding time to move the project along because it's a job you probably should have said no to in the first place and now it's hard to find the energy for it.

These and any number of other pitfalls can derail a project and transform it from an asset into a grating liability.

Having learned all this the hard way over a number of years, our company now uses a worksheet (see checklist, left) to help keep design jobs on track. This

This worksheet forces the author's team to ask key questions at critical junctures.

form forces us to ask the right questions — and get useful answers — frequently enough that we're less at risk of losing momentum or control.

In this article I'll go over the questions on the survey and the reasons it's so important to ask them.

1) Should We Be Doing This Job?

Obvious questions don't always get asked; that's just human nature. Our checklist prompts us to ask the most important one in a timely enough fashion that we can act on the answer.

As I am both the company owner and the salesperson, it's all too easy for me to say yes to projects I have no business accepting — jobs we don't have time for, that others could do better, that aren't worth the energy required to get them going. Having this question on the list is akin to having someone looking over my shoulder and checking my work.

If it's the architect's or estimator's opinion that, for whatever reason, I've made a mistake in pursuing a job, we get that opinion on the table early enough in the process that I have two choices: We can either back out relatively gracefully then and there, or I can come up with any number of reasons why I'm right and we should in fact do the job. Often the latter option involves struggling along for a few months and *then* backing out, after a lot of wasted time and hard feelings. (At which point I typically comment on what a surprise it is that the whole thing turned out so badly.)

2) Design-Professional Questions

These questions are included because about 10 percent to 20 percent of our work isn't design/build. It takes a lot of vigilance and energy to make sure outside design professionals meet our standards of accuracy and completeness of information (it's taken a lot of vigilance

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and energy for *us* to meet those standards). We need to make sure we've been clear about what our expectations are, and this question lets us know whether we have been.

3) Bailout Questions

About one in 12 of our design jobs does not become a construction job. Sometimes this is the client's choice; sometimes it's ours. The sooner we can recognize that "Mission control, we've got a problem," the sooner we can make a graceful retreat — or at least mitigate the awkwardness. It never gets easier to say no by waiting a little longer. No amount of wishful thinking will get rid of the problem. I know: I am a Zen master of wishful thinking.

Having this question on the list forces us to think the hard thought and, if necessary, take the hard action before doing so gets even more difficult.

4) Budget Questions

Budget overruns derail more design projects than any other problem. It's amazingly easy for design work to outrun your ability to provide budget feedback, and if you've given an unrealistically low budget to begin with, delayed budget feedback can quickly turn into lost credibility and unpaid design invoices.

The first three questions in this category are pretty self-evident, both in

intention and importance. The fourth — "What's the budget amount shown on the design-fee billing statement?" — refers to our standard design-billing procedure.

We bill hourly for design work and tell people to expect that design fees will be 10 percent to 20 percent of construction costs (while making it clear this is not a binding ratio). Our design-fee statements show clients how much they've paid to date, and what percentage of the currently anticipated project cost that amount represents (see statement, page 3). This helps manage expectations. But we have to be very careful to make sure that the correct anticipated construction budget shows up on that statement, and this questions helps us remember.

The fifth and sixth questions in the budget category measure whether we're filling out important job-tracking forms in a timely fashion. The job-cost tracking grid, which I described in a previous article (see "Preventing Remodeling Sticker Shock," *Business*, 7/05), is a quick and easy way to monitor whether key cost drivers are moving up or down, so that we can rapidly provide broad feedback on design decisions and head off major cost surprises.

For instance, the job-cost tracking grid may show that the remodeled square footage has gone up 25 percent from one design iteration to the next, so we'd be able to warn the client about a significant increase without having to get a lot of repricing from subs and suppliers.

The document-tracking grid ensures that subcontractors and suppliers are working from the same page — literally — that we and the clients are. It monitors who has what set of drawings and specifications, so that we can see at a glance (provided we've kept the grid up-to-date) who's got outdated documents and, consequently, whether we're relying on pricing that may no longer be current.



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Statement of design fees

Project: Jones sunroom addition
Date: 1/5/06

Invoice #	Date	Amount	Paid to date	Balance due
2700	12/5/04	\$357.50	\$357.50	\$ —
2672	1/19/05	\$687.50	\$687.50	\$ —
2733	2/16/05	\$2,793.67	\$2,793.67	\$ —
2755	3/3/05	\$907.50	\$907.50	\$ —
2875	5/31/05	\$1,007.60	\$1,007.60	\$ —
2911	6/30/05	\$2,360.05	\$2,360.05	\$ —
2961	9/21/05	\$2,043.80	\$2,043.80	\$ —
3001	10/5/05	\$2,321.55	\$2,321.55	\$ —
3050	11/9/05	\$1,637.57		\$1,637.57
Totals:		\$14,116.74	\$12,479.17	\$1,637.57

Total design billings to date: \$14,116.74
Approximate or anticipated construction budget (nonbinding as of 8/30/05): \$248,000.00

Design fee billings to date as % of construction budget: 5.69%
(typical range at completion of project is 10% to 20%)

The design statement shows design fees as a percentage of the entire job, thereby keeping total anticipated costs in front of the client.

5) Schedule Questions

If budget surprises are responsible for the most project derailments, schedule surprises rank right behind.

I get a lot of calls from prospects who say they were all ready to go but their contractor just told them he has to back out because he's overcommitted. Often, it's easy to turn these leads into jobs just by being honest: "We can't start your job for at least eight months and maybe 10, because the crew that would be best for your project has two four-month jobs to finish up beforehand." A surprising number of times the response has been something like, "I'll take it. I'd rather wait and know it's going to get done than wait without ever knowing for sure."

The schedule questions force us to

think ahead. Since we know the approximate timespan between milestones for different types of projects, we can anticipate when we might be ready to start construction according to what our current milestone is. If this is at odds with what we've communicated, we know that it's time to update the client.

Again, the sooner you deliver bad news, the less difficult it is to deal with it.

6) What Are the Next Three Meetings We Need to Have?

This question was inspired by my Boy Scout days. If a scout got lost in the woods (which in my troop happened often), he was supposed to identify three trees some distance apart that created roughly a straight line. He was supposed

to walk to the first tree and then locate a fourth tree that continued the straight line defined by trees 2 and 3. Continuing this strategy, he'd be fairly sure he was walking in a straight line and not just going around in circles.

Forget for the moment that by using this technique we sometimes ended up in some pretty stupid places — so stupid that walking around in circles would have been preferable. In the design process, laying out the next three meetings provides us with several benefits.

First, it fosters a sense of direction (and, if you ask the other questions on the worksheet reliably and answer them honestly, you won't be heading for a stupid place).

Second, it focuses and forces effort. If you have a meeting scheduled, chances are good you'll do the work required to be ready for the meeting. If you don't have a meeting scheduled, you might lose any sense of urgency or momentum.

Third, prescheduling these meetings gives us a clear sense of sequence. For instance: We really need to meet with the zoning official before pursuing this particular design option, so the zoning meeting needs to be first and the budget meeting second.

Finally, this strategy provides us with a clearer sense of where we are in the process and what the primary issues and tasks we're facing are. For example, we can't meet with the subs yet for pricing if we don't have an agreed-on floor plan.

7) Do We Need to Reprice?

Sooner or later in design/build, you are bound to encounter a situation in which the clients are sold on the plan but the budget has grown just beyond their ability to swing it. In such cases, the project may need to be postponed several months so that finances can catch up.

The hazard here is that prices will jump while you're waiting. So when things get rolling again, your first step should be to throw away the previous quote and have everything repriced. This also gives you a chance to verify where you were in the estimating phase when things got put on hold (you might not have been as far along as you thought).

Asking the repricing question reminds us of the risks of recommencing a design job after a break in the action.

8) What Are the Next Drawings the Architect Will Deliver and When?

Every design meeting should generate a list of clear, tangible action items. An architect who's balancing multiple projects needs to understand exactly what's expected of him or her and when it's expected (this applies to everyone else, too, for that matter). This question gives us a chance to review and clarify the most needed documents, and conse-

quently forces the question about what sort of delivery dates are realistic — which, in turn, feeds back into the schedule questions asked previously.

Asking about the drawings helps us in two ways: We can pace the project in a more realistic fashion and we can better manage expectations.

How We Use the Worksheet

My estimate coordinator and I meet with each architect or designer at least every other week. At these meetings we run through the worksheet for each design project. I keep a separate worksheet file for every project. Nothing but the worksheet is in this file; other project information and paperwork are kept in a different project file.

The files are color-coded based on the architect or designer — blue for Anita, red for Doug, yellow for Jeff. This makes it easy to pull all the right files for a particular designer meeting. We go

through the files one by one, reviewing past worksheets for each project and filling in a new one for that meeting. I keep my laptop out and type action items into an e-mail as the meeting proceeds. This, I've found, is more reliable than waiting until after the meeting to write up the notes.

In this manner, we've learned to track design projects in a much more organized and proactive way. I can't say we're 100 percent reliable about every step in the process, but we're getting better. And if things fall apart on a project, we're able to quickly identify why the breakdown occurred, so we stand a better chance of avoiding the same problem in the future. The net result is that we're able to handle more jobs in a less stressed, more controlled fashion — and that, of course, is to everyone's benefit.

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