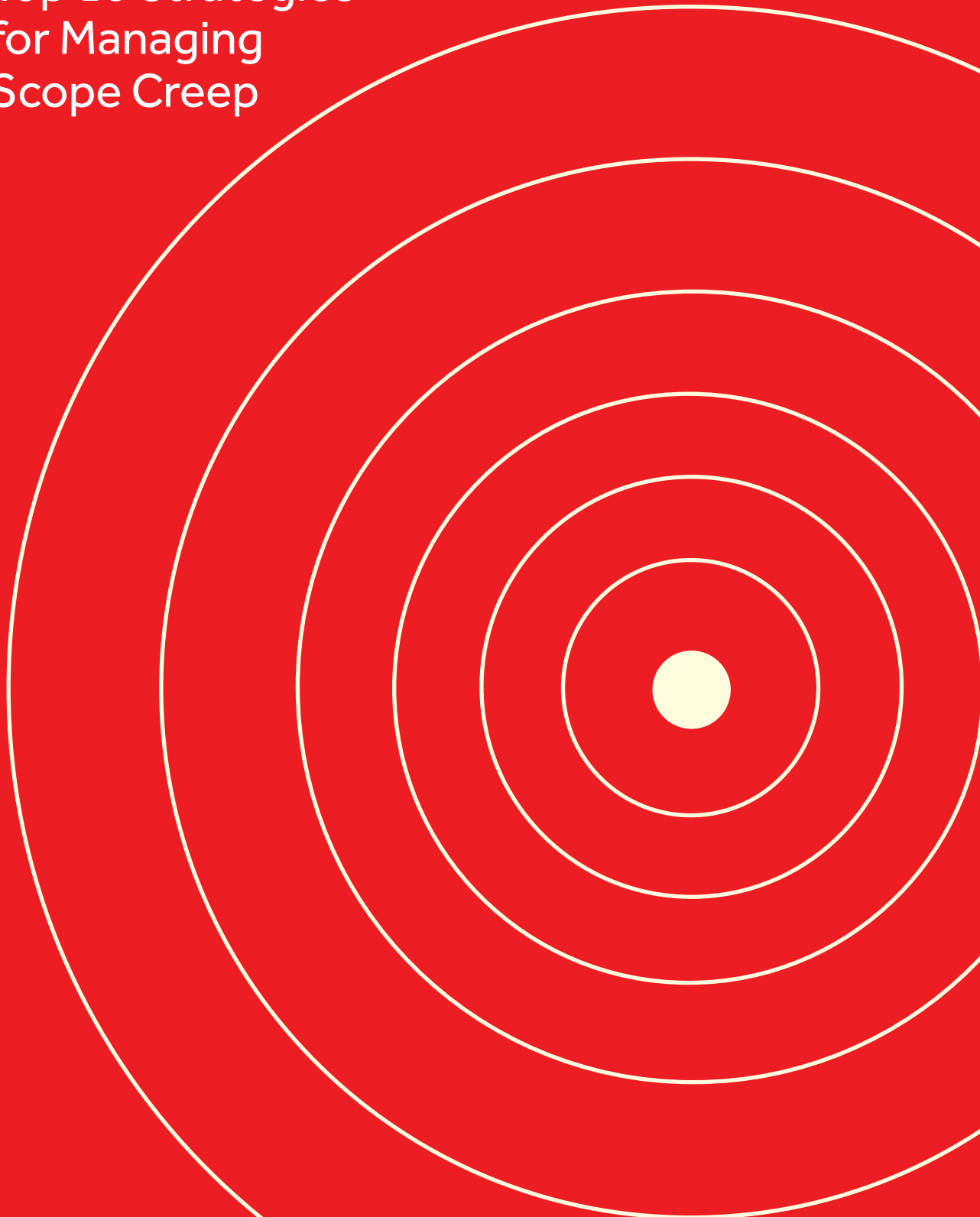


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Top 10 Strategies for Managing Scope Creep



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Scope creep is an insidious enemy in the design sector and it results in claims for economic loss by project owners. Even when it doesn't result in claims by owners, it can mean lost profits for the design firm due to project write-offs. Scope creep almost always starts slowly during the project, unseen and innocent, and mushrooms as the project goes along. Scope issues are the only project delivery factor that figures – directly or indirectly – into three of the four XL Catlin Risk Drivers®. Learning how to manage scope creep can not only help keep your firm from expensive claims, but can lead to more profitable projects and potentially happier project owners.

Based on our 40+ years of experience helping our customers foresee potential claims and avoid disputes, XL Catlin's Design Professional team has put together this capsule guide to managing scope creep.

We understand that in a growing firm like yours, avoiding claims is usually your responsibility. That's why we've made an effort to present these steps in a form that is easy to digest and remember.

To learn more about managing scope creep, and to find out how you can obtain the reference source *XL Catlin Contract eGuide for Design Professionals: A Risk Management Resource for Architects and Engineers*, and other XL Catlin courses and guides, visit xlgroup.com/dp/eguide.

Scope Creep Begins with the Scope Itself.

1 Unclear Scopes

Scope creep begins with unclear scopes. Many design firms develop their project scopes from boiler-plate documents handed down internally in the firm for years. Your scope may be clear to you, but frequently is not clear to the project owner or to other design consultants. Your scope of work becomes a part of the contract document and you are legally obligated to fulfill it.

Warning Signs

- Owner asks repeated questions about scope
- Owner asks no questions about scope
- Services are not described sufficiently or at all

Action Steps

Write your scope in language that is clear and unambiguous. Detail what services you will provide and make sure they align with the owner's goals and objectives for the project. Make sure you include what the owner's responsibilities are as well, especially if the project has to meet critical milestones. Unclear scope is the leading factor in the Negotiation and Contracts Risk Driver®.

2 Know What is "In-Scope"

Warning Signs

- Owner expects you to perform services that are not defined in the work scope
- Other consultants ask who is responsible for some task on the project
- You are asked not to perform services that are included in your scope

Action Steps

You must know specifically what services the owner expects you to provide, what services need to be provided, and specify exactly what your firm will be doing on the project. Sometimes designers are released from tasks that are included in the scope late in the project, specifically construction administration. Unfortunately, designers may be held liable for outcomes that occurred on a project site when they were released from any construction administration duties. If the duty is in your scope of work, you should negotiate an indemnification or release if you are relieved of that scope task.

3 Know What is "Out-of-Scope"

Warning Signs

- You are asked to perform services that are clearly not a designer's responsibility
- You are asked to include changes beyond your original scope or budget

Action Steps

If the original scope of work is ambiguous, the owner may expect the designer to perform any number of tasks not normally within the duties of a designer. The owner may also hold the designer responsible for sub-consultant tasks that were not included (or excluded) from the original scope. Firms may protect themselves by specifically including services they intend to provide and by excluding services to be provided by others. By specifically listing and excluding tasks to be performed by others in your scope, you limit your liability and control the owner's expectations. Also, if you anticipate that you may be asked to do additional work, you should list this as a service you will do for additional compensation. This helps to better manage your client's expectations, and to bill for services that can benefit the project.

4 Communicate the Scope to the Project Owner

Warning Signs

- The owner asks few questions about the project process
- The owner defers to you about project decisions

Action Steps

Talking with the owner at length about your project scope not only allows you to delineate what is in and out of your scope, but to explain to them what the owner's responsibilities are on the project. The basic AIA contract documents contain over 100 instances of "owner's responsibilities" which few owners are aware of. This is also your opportunity to communicate the costs of owner-generated changes or the costs of late decisions on the part of owners. Communicating your defined scope of work also allows you to introduce the owner to additional services your firm might provide for additional fee. Owners who do not understand the designer's scope of services represent the second leading factor in the largest claims Risk Driver®, Communication.

Scope Creep Starts with Project Managers.

5 Communicate the Scope to the Project Team

Warning Signs

- Project managers not included in project scoping and negotiation
- Project managers not aware of their duties with regard to scope, billing
- Project managers not aware of owner's goals and objectives for the project

Action Steps

All too frequently, design firm owners or partners negotiate a contract with a project owner and don't include the project manager who will actually conduct the work. Our Risk Drivers® show that project managers and staff who are unaware of their responsibilities are far too frequently responsible for claims against the firm. Since the project manager will be responsible for carrying out the scope of work for the firm, it is essential that he or she have an intimate knowledge of what is in and out of the scope of work. Project managers must also know the client's goals and objectives for the project to keep the project team aligned with the client's ultimate expectations on the project.

6 Know the Cost of Scope Changes

Warning Signs

- Hours billed and work milestones completed are not matching up
- Additional (unbilled) tasks are creeping into the project reports
- Earned value is slipping on the project

Action Steps

Not all changes in scope have the same impact on the project budget, and even small changes made past the construction documentation stage cost more than they would have earlier in the project cycle. Project managers should know the relative cost impact of owner-requested changes. Some changes may be absorbed by the firm as a part of managing the client relationship, but others may prove extremely costly to the firm if the owner won't pay for them. Eager project managers anxious to please an owner may inadvertently give away the firm's entire project profit in unbilled scope changes.

7 Not Asking for Change Orders

Warning Signs

- Project budget and earned value show little profit
- Staff hours run beyond anticipated task hours

Action Steps

Project managers are often reluctant to ask owners for change orders. Part of this may be their service mentality and a desire to please the owner, but another part frequently is a lack of understanding how to ask for a change order. Firm owners and principals should make asking for change orders an integral part of project manager training. In their owner-facing role, project managers control the profit for the firm by controlling the firm's work on the scope.

Reviewing Scope Creep.

8 Categorize Scope Creep

Warning Signs

- Moving on immediately after losing money on a project
- Saying, "We won't do that again" (without defining what that is)

Action Steps

Too many design firms don't do post-project reviews with an eye to improving their profitability or process delivery on future projects. Post-project reviews allow you to analyze scope creep to quantify how it affected the project. Scope creep frequently falls into one of four categories: value-added requests by the owner; unanticipated external events that changed the scope; potential errors and omissions overlooked at the planning stage and corrected after construction documentation; and unanticipated risk responses. Some of these categories can actually be net positives for the firm if it anticipates them in the future. For example, if an owner asks for a change that adds value to the project, the firm should not be shy about asking for a change order. Potential errors and omissions overlooked during planning stages are net negatives for the firm as they cost more to address later than sooner in the project cycle. However, it is important to keep in mind that a design omission can result in a cost that the owner would have paid anyway; i.e., the concept of betterment. Just because you left something out, doesn't mean the owner gets it for free. If the firm can learn to anticipate these changes, it will save money on future projects and reduce its risk for claims.

9 Anticipate Scope Creep	
Warning Signs <ul style="list-style-type: none"> • Treating all scope changes equally • Having no idea how the scope crept, post-project 	Action Steps <p>Conducting post-project reviews allows the firm to anticipate similar scope demands on future projects. Many design firms in the US and Canada have an 80% repeat client rate, so it is highly likely that many of the same scope creep problems will occur again – often with the same project owners! By conducting post-project reviews the firm can anticipate that certain types of scope creep will come from certain project types or owner types, and can frame a response in advance.</p>
10 Calculate Scope Creep	
Warning Signs <ul style="list-style-type: none"> • Project profitability is suffering, but you don't know why • Post-project write-offs reach painful levels 	Action Steps <p>Conduct routine project monitoring and post-project reviews to see how much time and money the firm writes off on scope creep. We have found that many firms write off 5%-7% of total project profit on scope creep. Project overruns frequently result in suits for economic loss against designers as well. Controlling the source and amount of scope variability can not only make the firm more profitable, but can guard against potential claims by owners.</p>

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