

FACILITATING RISK MANAGEMENT AND TEAM BUILDING

by

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My first involvement specifically facilitating Risk Management and Team Building

I suggest that we must all become involved with risk management and perhaps team building in our day to day business activities to some degree or another, whether consciously or sub-consciously.

As a result, it stands to reason that it must be a flexible process, adaptable to the matters in hand and it may be completely informal and conducted merely intuitively. Alternatively it can sometimes be applied with some structure to advantage and I propose to explain the approach I have taken to that.

The fact that we are here today at a whole day conference on dispute avoidance joined to the fact that most of us are involved in disputes in the Construction Industry on a day to day basis, evidences that our knowledge and experience has shown us the importance to be attached to risk management and dispute resolution.

I am a PQS who went on to act as Expert from time to time, then Mediator and Dispute Decider in its various forms.

I hope it will be helpful to relate my first experience as a Risk Management Facilitator on a particular project.

I was first approached to act in a specific role as such a facilitator by two parties who were about to enter a Construction Contract. One was a Developer, the other a Contractor.

The Contract was, I would say, medium sized, a few £million.

The proposed building was for student accommodation, the end Client a University.

Planning Permission has been applied for as I recall and was anticipated to be granted.

Contract negotiations were virtually complete.

A notable fact about my appointment and role was that all the team members were already in place and those did not include my own Practice in any role.

I was asked to act in this role for the particular reason that I was an independent with Mediation and Dispute Resolution experience.

It was to be a Design & Build Contract.

Another Chartered Surveyor was already involved as Employer's Agent.

I cannot recall whether there was formal novation of the Consultants but the Architect, Structural and Services Engineers were to be engaged post contract by the Contractor.

Other Specialist Consultants such as an Energy Consultant and Acoustic Consultant were on board.

I think my appointment in principle was proposed by the Developer whose last similar project with another Contractor was evidently an unhappy one although the Developer was enlightened and experienced himself in risk management procedures.

It had been agreed to appoint an independent for the purpose. I was already known to one of the Parties and my CV evidently fitted the bill. The Developer and Contractor shared my fee.

The Process

I agreed to hold two initial sessions with the Parties and their teams and the purpose of these were:-

1. To identify risks to the Scheme and to prioritise them.
2. After 2/3 weeks to discuss the action plans which had been developed between the meetings and any associated costs arising from them, as well as fine tuning to delete from or add to the risk register if necessary.

Between the two sessions I would draw up the Action Plan/Risk Register comprising the highest priorities and allocate the ownership of the action required in each case to the party I considered to be most appropriate.

At the first session there were 17 people in total.

The persons attending were as you would expect, Partners and directors of the principal players but as you might not expect, the site foreman and others who would see on-site action as well as the Finance Director of the Developer, an Accountant/money man who might never have met a hairy bottomed builder before. It was a broad Church!

We met in a hospitality box of a football club (not on a match day of course) which provided an immediate opportunity for some lateral and "getting to know you" talk between everyone at the outset over coffee.

So what did we do? Well, inevitably I was required to explain what we were about to do at the outset so here is some of the outline introduction to the thinking behind a structured Risk Management exercise and the methodology. (Appendix 1)

The First Session

Having identified and agreed a list of topics I split the group into groups of 3 or 4 from different disciplines and provide flip charts for each topic. (Appendix 1 – Step 1)

The groups went around the room and with marker pens they wrote down the risks that they perceived to exist to the achievement of a successful project. Although known within the small number of members of the group the proposals of risk topics were otherwise anonymous. The result was some quite serious probing directed at other participants but also some amusing suggested problems as well! As time went by the participants began to enjoy themselves more!

Spread over the 11 topics, some 160 or so possible problems (risks) were written down!

This is not unusual.

Following that exercise and either side of a buffet lunch with me chairing with marker pen in hand, we set about scoring each risk as a whole group with everyone having the opportunity of helping to score the likelihood of the event actually occurring and its effect should that happen. (Appendix 1 – Step 2)

The Intermediate Period

After the first meeting, my task was to reduce all the handwritten material to a printed Action Plan and Risk Register. (Thanks were expressed to my Secretary for this task which I should record again here!)

By agreement of the principal Parties I shaded out perhaps two thirds of the items which had received the lowest scores and were therefore of less priority than others, in order to make the document and follow up procedures manageable and focused.

For the remainder, I was tasked to suggest who was best placed to take ownership of each risk and to send out the resultant schedule to all present. (appendix 1 – Step 3)

I invited the firms represented to return to me if they wished to identify another Party rather than themselves who they considered to be in a better position to own/manage the risk I had allocated to them.

I also invited the participants to propose the action they would take in respect of the risks they were to "own", any cost implication and their "by when" date. (Appendix 1 – Steps 4 and 5)

When all firms had responded I then collated the proposals and re-published the whole action plan/risk register.

The Second Session

The same participants met again for a second session in which we went over the document with the aim of adjusting where necessary and importantly of reaching agreement to all ownerships and actions and dates.

This was achieved leaving me to publish the final document.

Subsequent Review and Feedback

I have to modestly say that I received some very pleasant comments about the whole process.

However, despite this and my equally modest fees, the Parties decided to continue the risk management process and the reviews and any necessary further amendments of the Action Plan themselves.

It was a sensible thing for them to do. They could review actions and events at site meetings. There was no necessity for me on that occasion to continue to be involved. I did stand by ready to help in the event of any issues or disputes arising but was never called.

Outcome

I was invited back to look around the half built site and I learned that it was indeed a happy site. When small issues had arisen, I was advised that the Parties tackled them and resolved them quickly. The underlying team building which had occurred proved to be a sound foundation for resolving problems as well as the actual process of identifying and managing the high risk possibilities.

Upon completion, I was invited to the opening but was unfortunately unable to attend. Nevertheless, all Parties who I heard from or encountered then and after were keen to relate to me that it was a successful project.

For me, the success was evident when I was invited to undertake the same exercise on the Developer's next scheme. This was with another Contractor as it happens who owned the land upon which the second building was to be placed.

I have intimated that I was successful in these endeavours and I believe that was so but the message out of my experience for the persons at this seminar is:-

1. Despite possible concern about an extra cost, Risk Management and Team Building are usually of much greater value than the fee payable to an independent facilitator for a few days work.
2. Those who may not have been involved with such a structured process might be naturally sceptical but the results and outcome are usually obvious enough to overcome such doubts in the future.
3. The process is not intended to change the normal or standard responsibilities of a construction contract, but to help avoid failures to meet those responsibilities and the disputes that then arise.
4. Without being a challenge to established team members already in place who initially may be guarded about an outsider's involvement, there is a genuinely viable and useful role for independent facilitators with experience in dispute resolution to play in these circumstances.

APPENDIX A

INTRODUCTION TO A STRUCTURED RISK MANAGEMENT EXERCISE

Definitions of Risk Management

A systematic approach to the identification, prioritisation and elimination of risk.

A structured and auditable process for the benefit of all members of the project team which is dedicated to the sole purpose of controlling and mitigating uncertainty in a project.

Methodology to Manage Risks

Identify Risks

Uncertain events which, should they occur, will have an effect on the achievement of the project's objectives.

Analyse

To what extent would these events affect the objective?

Response

What can be done to eliminate or manage **the risks** to limit their effect? (Note the risks , not the effects).

Ten Steps to Implement the Methodology in a Co-ordinated Fashion for Success

1. Identification of Risks
2. Prioritisation
3. Give Ownership
4. Draw up Action Plan/Risk Register
5. Decide Objectives
6. Decide dates for Actions
7. Review progress and Actions
8. Seek and gather feedback
9. Keep alive, flexible or responsive to change
10. Record outcome for future use

1. Identification

Brain Storming

Involve all Parties

Suggested List of Topics, eg:-

1. Health and Safety
2. Programme
3. Design
4. Statutory
5. Site Logistics
6. Procurement
7. Build ability
8. Financial
9. Contractual
10. Client
11. End User

2. Prioritisation

What is:

- a) Likelihood of occurrence
- b) Likely Impact/Seriousness

Score the risks on each in order to prioritise

	<u>Likelihood of Occurrence</u>	<u>Impact</u>	
9-10	Highly Likely	Catastrophic	9-10
7-8	More Likely	Critical	7-8
5-6	Likely	Serious	5-6
3-4	Might Happen	Irritating	3-4
1-2	Unlikely	Minor Problem	1-2

3. Ownership

Who is the best person/company to whom each risk is to be allocated?

It should be the person/company best able to manage it in order to ensure as far as is possible that the event will not happen.

4. Action Plan

Must be Clear and Smart

Specific

Measurable

Agreed

Realistic

Timeframed

Any costs to be involved must be considered.

5. Objectives

For example, Risks may be able to be:

Eliminated

Insured

Controlled

Shared

Passed on

