

Talk to Me About A&E: Episode 25 — Managing Design Risk in a Hybrid Work Environment

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NARRATOR: Welcome to Talk to Me About A&E, a podcast series focused on risk management for architects and engineers. Host Dan Buelow, managing director of Willis A&E, will engage experts across the A&E's spectrum on topics ranging from contract details to the broadest trends impacting design professionals in North America.

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DAN BUELOW: Hello, and thank you for joining me for another episode of Talk to Me About A&E. I'm Dan Buelow, managing director of Willis A&E. And our topic today is on design risk in a hybrid work environment. And my guest is Clark Davis, partner and principal consultant with Cameron MacAllister Group, respected advisors to architecture and engineering firms. Hello, Clark. How are you doing?

CLARK DAVIS: Fine, Dan. Very well. Thanks for having me on.

DAN BUELOW: It's great to have you. So Willis A&E commissioned Cameron MacAllister Group to conduct an industry survey of design firms across the United States about the impacts of remote hybrid work on design and technical quality in design practice. Clark Davis who has led the seminal, "Managing Uncertainty" study, reviewed the results of this research for the first time at the recent WTW A&E Large Firm Convocation along with a panel of leaders from four different design professional firms.

I wanted to do a podcast here with Clark to discuss his findings that we can include when we share this report to the design community. So Clark is partner and principal consultant with Cameron MacAllister Group, respected advisors to architecture engineering firms. Clark leads many of Cameron MacAllister Group services in practice management strategy, organization and leadership development, and firm governance.

Prior to joining Cameron MacAllister Group, Clark was a senior leader at HOK for nearly 25 years. He was instrumental in building global practices in health care, science, and technology corporate accounts, justice, aviation, planning, and sustainable design. Clark has been recognized as a fellow of the American Institute of Architects and a senior fellow in the Design Futures Council. So we are really lucky to have Clark with us today to talk about this important study.

I, in fact, contacted Clark about six months ago when we began planning our annual Willis A&E convocation. Because of COVID, we had to take about a three-year hiatus from hosting the convocation. And I hadn't spoken to Clark since that time. And I was wondering what he was up to. So we got to talking and I asked Clark if he'd be interested to join us for this convocation, if he had any ideas and what we might do. And this is how it came about, isn't it, Clark?

CLARK DAVIS: It is. And Dan, I appreciate your reaching out about topics that would be timely and important to the convocation audience, which is a great following.

DAN BUELOW: It was well-received your presentation there. So Clark, give us an overview maybe on the study participants and a little bit of background on how you went about the survey.

CLARK DAVIS: We developed questions that we felt would be important and meaningful to the large firms that follow the convocation and attend it. And so we reached out to between three and 400 firms, and that's a range because, in some cases, there were multiple recipients of the survey in the same firms. But we received about 200 responses, which is pretty good. So about a 50% response rate from these firms.

And the firms have a broad range of services. They're large firms, of course. But there were also some smaller ones in there because we shared the survey with the Cameron MacAllister client list as well as with yours. So about 75% of the respondents offer architectural services, interior design. But about half of the firms also offer engineering firms in one or more disciplines. So it was a really good range of firm types and sizes from firms of 50 people up to more than 1,000.

DAN BUELOW: The panelists that we had for your convocation was an interesting split too. We'll talk a little bit about that. But we did divide that up two-- I think we had two leaders from architecture firms and two leaders from engineering firms in different areas around the country. So Clark, how would you define hybrid work? And based on your studies, do you believe it's here to stay?

CLARK DAVIS: Well, a good question. And we've all been learning over the last three years about this. Funny story, Cameron MacAllister Group have hosted an annual conference of design firm leaders. And as with the convocation, of course, it didn't happen for a few years because of the pandemic. But the last one happened in early March of 2020.

And somehow, the question came up about whether firm leaders could imagine that they could have people working remotely. And overwhelmingly, the response was no, absolutely not. We're based on a studio culture. We depend on face-to-face interaction among our people. That's how creative things get done. So that was in early March. And not three weeks later, we were all forced to, by the pandemic, to go into remote work mode. Everyone was. So all of a sudden, by the middle of 2020, firms learned how to work in this very new situation or this new condition for most of them. And what everyone found, or most firms found then was it actually was OK. They could get work done, their people could be productive, and they were still really busy during most of the pandemic because clients, in most cases, still wanted work to progress, they still wanted to get things done.

And so thankfully, as we all know, design firms had made big investments in new technologies over the last five to 10 years. And that technology made remote work possible and allowed firms not just to survive in remote work mode, but actually to thrive as most did. Many firms reported their most profitable years during the remote work period.

So coming out of the pandemic, people got pretty comfortable with working remotely, at least part of the time. And staff members really valued it in terms of the personal flexibility that it gave them. We talk a lot about the work life balance. People liked having that option for themselves personally. And so most firms-- I think 86% of the firms we heard from in this survey, Dan, have adopted some permanent remote work policy, which is what we call hybrid. And the most common policy among architecture and engineering firms today, as we speak, is to require people to be in the office three days a week, allowing them to be home or work from someplace else two days a week. So hybrid work is popular actually and it is here to stay. I think 85% of the firms we surveyed say it's going to continue. It's going to be permanent.

DAN BUELOW: I think about-- with our own company, and WTW, and other large brokerage groups around the world, and so forth also felt that they got through it OK from a business standpoint at least here in the short run. I think that's what we're talking about is, what's the long-term impact on this?

And we certainly all got a crash course on video conferencing. I think we had that underutilized technology out there available, but we really weren't maybe utilizing it. I know I certainly wasn't until COVID hit. Because you need two parties that are proficient in that. And suddenly, everybody was proficient in it. It really has worked well in that. I'm curious, though, when we talk about hybrid and maybe jumping ahead a little bit here, but it fits in that demographics question. And in your studies, were you able to find-- was there any difference between architects and engineers, for example, or different demographics? So there's disciplines, but what about the south versus the east versus the west coast, and so forth?

CLARK DAVIS: We didn't find any major difference between architecture and engineering firms or firms of different disciplines. I think most of the industry has adopted similar policies. One difference that we did find in our panel discussion at the convocation was that some very large national or international firms have said, we have always worked in teams across great distances, across the US or between the US and people on other continents. And we've always known how to do this in terms of collaboration and quality review, quality control, procedures. So this isn't new for us, which is pretty interesting. So there are some very large firms that have shared projects, shared resources widely across great distances, sometimes across continents, that had this figured out a long time ago.

DAN BUELOW: And think about our own client base of design firms within Willis A&E. So approximately 500 or so design professional firms throughout North America. And I have seen some trends, not so much by discipline, architect or engineer, but certainly large urban areas relying on public transportation versus some of the more rural areas and even some areas of the country where they never left. They basically wrote it out, if you will.

Certainly, we'll get into the conversation about the quality controls on this. But there's a lot of those folks that never left and have always been always in the office, where some completely working from home through the pandemic

and now are up to as much as four days a week. Even though, I think the average, as you said, is closer probably to three days.

CLARK DAVIS: That's right. One of our panelists from the McMahon Group is in that situation, relatively small town or small city in Wisconsin. And their people frankly didn't go very far. And so they were in the office much of the time. And yet for firms in large cities, particularly high-cost cities, people work remotely from far away. They went to live with family in a less expensive place or they went to the mountains or to the coast.

And so in some cases, firms found themselves with valuable people, talented people living and working at great distances and wanting to stay there. And that's an interesting policy challenge for firms because all of a sudden, you could be construed to have remote offices in all those places. And don't want to have to manage that.

DAN BUELOW: It does raise some issues along those lines too. I remember, one of the panelists discovered that one of their employees had moved to South America somewhere I believe, and they didn't even know it. So in the survey, it was asked, how concerned are you about increased design and technical risk from remote work practices? 70% plus of the firms that responded to that survey said they were somewhat or very concerned. Why are firm leaders concerned, Clark, about design quality risk in this new work environment?

CLARK DAVIS: Good question. And that was really the key question or the foundation of our survey. And we'd been hearing this from principals, firms we deal with as clients all the time. And so the response was pretty clear and pretty dramatic, the 70% concern that we heard about.

And the major reasons were understandably the loss of informal collaboration among members of project teams, architects and engineers. 80% of the firms, more than that actually, felt that the loss of in-person collaboration was a big issue in terms of quality. The difficulty in coordination among team members or among design disciplines was a big issue for about half of the people.

We all know that our clients have also been in remote work mode and now are in some level of hybrid work mode during this period. And so clients have functioned differently too. And it's been much more difficult for architects and engineers to engage creatively with their clients when it's all been by Zoom or Teams or some other virtual mode.

One other factor that came up in the survey responses was simply the competition for talent that we've seen over the last several years. The industry has been so busy that in a way, the competition for good talent among architects and engineers has been more difficult than the competition for work. And so as a thread through all of this, our survey respondents said that they've been concerned about inadequate staffing and inexperienced staff. And that's been a challenge, whether we've been working remotely or not.

DAN BUELOW: Our own business, again on the brokerage side, I feel it's a people business and we need to be together. And especially mentoring and developing new talent. Your business, your industry, to me, where you're working and you're creating even at that level is even greater, I would say, for the need for collaboration, innovation, and so forth. To do that in these silos remotely, I mean, that to me, intuitively, just is a real challenge.

CLARK DAVIS: In that conference that we had sponsored over three years ago, that's why people said they couldn't imagine working remotely as creative professionals. And yet just a few weeks later, somehow, we were trying to do it.

DAN BUELOW: Here we are. So what are the specific risk factors, Clark, that you would say that were involved and what has changed?

CLARK DAVIS: Great question. And we asked that question in our research and used the-- we used the risk factors, Dan, that had been identified as the most common in our managing uncertainty study several years ago. That is managing uncertainty and expectations in building, design, and construction. That's the long version as it was published by McGraw Hill and Dodge with support from a lot of organizations. And we had the opportunity to present that work at the convocation for which we were grateful.

So in any case, we asked about the same risk factors, and the order changed. The most serious risk factor that was cited in this recent survey was acceleration in project schedules. Clients, I think, themselves working remotely, in some cases, came to have higher expectations of their design teams during the pandemic, figuring that if they could work well remotely, so could everyone else. And they-- I think many clients came to expect that more could be done even faster and better in remote or hybrid work mode than ever before. So most of the firms cited that issue, the acceleration in project schedules, as being the biggest change.

The other big change-- two other big changes. One was the frequency of owner-driven changes in the design. And in the managing uncertainty study, we found that has always been a big issue for architects and engineers sometimes. And certainly, owners have the right to make changes. They're the customers here. But they may not always realize the implications of those changes in terms of the time and the process that it takes to incorporate them. So that's been a big issue. About a third of the survey respondents cited that as the major increase.

And then contractor or construction delays came up as a frequent change. And when we think about how builders have been impacted by the pandemic and how construction prices, of course, have been going up during this whole period, and supply chain issues have really crippled the construction process in many cases. We hear stories about electrical equipment and lumber for a period of time. There have been serious shortages of materials in building components. So that itself has created a risk that design firms have had to manage.

DAN BUELOW: And we've surveyed our architects' and engineers' professional liability carriers recently. And we got into COVID, any claims related to that. And it's more along the lines of where you're going with this, Clark. There are indirect factors that impact risk. In your survey, there is that question. When it comes to professional liability claims against design firms, 81% of those survey that you surveyed stated that there was no change.

However, I would respond to that, saying, keep in mind that when we're talking about claims with design professionals, we're talking about professional liability claims. That's a very long tail claim and exposure that will take on average two to three years to resolve a claim and also can take many years to actually manifest into a claim.

And so that could be a different response to that question here in a couple of years. We'll see. And again, how can you point to exactly-- is it as a result of working from home or a hybrid work environment?

There's studies with kids in schools, that their education around reading and math grades have dropped because of this. So it begs the question, are we getting the new hires and the new talent educated properly and mentored properly through this? I think those are challenges I know that you came up with through this process.

CLARK DAVIS: I think that that's exactly right. And while people haven't yet seen an increase in formal claims during the past few years, to your point, the work that was being designed during the depth of the pandemic, let's say, is just now getting into construction. And so you wouldn't expect to see any claims from that-- related to that work at this point. So we'll have to watch that pretty carefully to see whether there's a material change.

We asked about concern about their own work practices as affected by the pandemic and remote work and now permanent hybrid work among their people. And they were most concerned-- 50% of the firms said they were really concerned about mentoring, formal and informal mentoring of their people. And when you couple that with the fact that they may be a little short-staffed anyway, developing those people and helping relatively young people take more and more project responsibility is hard when those folks are not physically together.

So during the 100% remote work period, I think that was certainly the dominant concern. The professional training and development dropped off. People did their best to do it virtually, but it was different, of course. And people were concerned about the ability of their staffs to apply the design and technical tools that were available to them, that were already in the toolbox, if you will.

There were concerns about a number of these things as they might affect project quality. And most of them-- to your earlier point, most of these are people issues. They're not mechanical. They're people issues.

DAN BUELOW: So what steps are leaders in architecture firms and engineering firms doing to mitigate these new risks?

CLARK DAVIS: We found that the responses to that question fell into three important categories. The first was technology. And again, remember that we're talking about firms that intend to support a hybrid work, some level of remote work permanently now. So this isn't just about fixing a problem a year or two ago. These are long-term changes, long-term improvements that firm leaders expect to be making.

So the first category was technology. One firm talked about a digital practice roadmap that they'd actually put in place before the pandemic that allowed their people to follow the parallel design or consistent design process. People talked about internal databases, online programs of standards and standard details. And we all learned new collaboration software particularly like Teams, Miro, Bluebeam. All sorts of new software became available to support collaboration at a distance. So technology was one category.

The second category was communications. And firm leaders established, and I think will continue more prolific communication with their people. Town hall meetings, stand-up virtual meetings more frequently just to help people

feel connected. Peer review by different teams virtually to make sure that quality gets looked at in new ways. Messaging, video-based meetings are not going to stop because even if people are in the office two or three days a week, which will be common, there will need to be virtual connections with more people all the time.

And so the third category then had to do with improvements related to culture, firm culture and people's relationships. Culture, as we know, can seem intangible, but it's really critical in terms of affecting how people behave, how people trust one another, and then work together in teams, particularly in design practice.

And so cultural change in terms of building relationships, helping people to get to know each other virtually, know each other, trust each other in a different way, very important. It seems-- these seem like soft skills. But in many ways, they are important to shaping a culture of quality both in subjective design quality and then the technical quality that we care about most here.

DAN BUELOW: That's a great point there. It's you can't have a business-as-usual approach and not work as you typically have in the past, and to be remote. So what you're saying here is the idea of-- and the need to be-- considering what changes you need to incorporate within your own business, the way you communicate, the way you utilize these technologies, and so forth in order to establish and nurture these cultures.

Certainly, there's the whole, around training and so forth and mentoring of young staff. But I think that's a that's a very good point. I mean-- I think, again, myself going through this, I don't feel that I'm you know working any less when I'm at home. Arguably, I think I'm working more sometimes just because I'm at the computer.

And I also found early on, I don't know if you saw this, but I was invited to absolutely every meeting that I think anybody could think of having. Whereas before, when I'm physically there, I could only go to so many meetings. And suddenly, I'm in so many of these. And I think people are learning you know how to how to manage this better.

CLARK DAVIS: And I think one of the dominant HR concerns, if I can put it that way, during the pandemic frankly was burnout. Because we all had to learn new habits to work remotely as we have. You couldn't leave your problems at the office because the office was at your kitchen table. And I think people found themselves working more. And if clients are doing the same thing and therefore expecting architects and engineers to be able to respond 24/7 and work with the same intensity that they are themselves, that just made it worse. So burnout has been a major concern, and that's one of the things that firm leaders have to find ways to manage.

DAN BUELOW: So Clark, final question for you. What are you regard as the long-term implications for the design and construction industry with this?

CLARK DAVIS: Well, Dan, based on the responses to this survey, this recent study that you commissioned with us, we felt there were five things that people needed to take away from it and think about and maybe act on. The first one is simply that the pandemic changed the way we practice as architects and engineers for good. It's a permanent shift. Because as I mentioned, more than 85% of the people we heard from have adopted hybrid work practices permanently in their firms. So this is a fundamental shift away from the collaborative studio or office setting that we've all known and loved.

The second point is obvious, but it is that we actually thrived in the pandemic as architects and engineers and other professional disciplines because of the investments that we had made in technology over the last five or 10 years. Without those investments, I hate to think where we would be. But because they were made, we actually thrived. And again most firms, many firms have reported having their most profitable years during the pandemic and the tail of the pandemic now. So over the last three to three-and-a-half years.

The third point that I think is important is, as I've now mentioned a couple of times, our clients have experienced the same shifts in the way they work and in the way their organizations behave. They themselves have found that they can do OK. They can be productive and keep projects moving in their organizations.

And so I believe-- we believe that their expectations of architects and engineers have probably risen. Basically the client thinking, if I can do this, you have this big team working for us, you can do this. And therefore, it gives rise to the concern about accelerated schedules and the idea that much more can be done in less time. And as we all know, when those pressures are brought to bear, quality can suffer. Subjective design quality, but also the technical quality that gives rise to potential claims. So that's something to be vigilant about.

The fourth industry conclusion is all of these patterns have forced leaders of 80 firms to be much more deliberate and rigorous about their approaches to communication and about their approaches to quality review. It can't be left to chance because if people aren't there, it won't happen. And so we have to be much more deliberate about those things at every stage of the project design and delivery process. In some ways, remote and hybrid work have forced us all to be better leaders. These things have always been important. But now, they're even more critical.

And the fifth point comes back to the idea that risk for design firms, particularly in this new hybrid environment, is going to be more dependent on those intangible people issues than ever. We can have QA/QC processes, we can have technical manuals, we can have all of the standards, all of the checking that we want. But if in this looser practice environment, people aren't motivated to think twice, check themselves, to focus on the quality of the work, there will be more opportunities for problems to arise. So the people issues of culture, informal mentoring, more formal training, and support for these people is in many ways going to determine our fate in terms of quality and risk going forward.

DAN BUELOW: I absolutely agree. I think that things are never going to go back to how they were exactly. I mean, even if your firm decides they're going to go back five days a week and go how it was, guess what? You're going to be working with a lot of other parties within-- be it a sub, be it your owners, clients, contractors, your attorneys, whoever it might be that aren't necessarily back in the office. And so to your point, the importance of being deliberate of having a plan and how you're managing and addressing these changes. Very good points.

Well, Clark, I want to thank you for your time. It really was great to see you again and get back to talking to you about this particular topic. I really appreciate your presentation at the Willis A&E convocation in June. Was well received. And we're going to share anybody that wants a copy of your report, the survey that listens to this podcast. We'll give them an opportunity just to reach out to us and we'll have your contact information as well. So thank you very much, Clark, for joining me.

CLARK DAVIS: Dan, thank you for the for the invitation and thanks for reaching out six or seven months ago with the invitation to do this research and then to present it at the convocation. It's a great event, great people there. It's really an important group of leaders from our industry. So it was a pleasure to do this. We look forward to feedback questions that we might receive based on the report of this podcast.

DAN BUELOW: Thanks again, Clark. Well, that concludes our episode here of Talk to Me About A&E. I'm Dan Buelow, and I'll talk to you again soon. Take care.

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