



## Moving Toward Integrated Project Delivery

*Is integrated project delivery here to stay? Many in the industry think so.*

Many project owners, including large organizations such as Sutter Health Care, Yale University and the University of Wisconsin, are beginning to adopt some form of collaborative project delivery system.

Professional and trade organizations are responding, too, by introducing integrated project delivery (IPD) documents and tools. In late 2007 the American Institute of Architects (AIA), in collaboration with the AIA California Council, produced *Integrated Project Delivery: A Guide*, which helps define IPD and offers guidance on principles and techniques.<sup>1</sup> The AIA has published two standard form agreements for integrated project delivery. One form of agreement takes a transitional



approach to addressing IPD while the other outlines the creation of a special purpose entity to facilitate the delivery process. Additionally, a group of associations for builders and owners has developed *Tri-Party Agreement for Collaborative Project Delivery* as part of its family of ConsensusDOCS contracts.

According to Randy Lewis, Vice President of Loss Prevention and Client Education for the Design Professional group of XL Insurance, a key factor driving IPD is owner demand. "Owners want more predictable outcomes thus their interest in more collaborative projects," he says.

And IPD may be the ticket, Lewis says, because it promises greater cooperation among project team members—including contractors, fabricators and suppliers—with the goal of increasing value to the owner and reducing waste and inefficiency during all phases of the project.

Proponents say moving to IPD can also improve project workflow by identifying coordination and sequence problems during the design process rather than during construction. In addition, early resolution of design

conflicts can result in cost savings during construction and fewer disputes on a project. Open information sharing, ideally in conjunction with building information modeling (BIM), identifies problems and solutions, reduces cost overruns and allows projects to be completed on time. Just as important, jobsite safety can be improved and RFIs minimized.

But Lewis cautions that for IPD to be fully effective, it should encompass three concepts: lean construction, BIM and collaboration by all parties and contracts that clearly outline roles and responsibilities. "It's the combination of these concepts that will lead to better project outcomes," he says. "And better outcomes should mean lower risk."

### LEAN CONSTRUCTION

Many IPD projects do rely on "lean construction" techniques, adapted from a manufacturing process that attempts to improve construction processes by maximizing value and minimizing waste.<sup>2</sup> IPD offers a ready-made framework for applying the principles and practices of the lean project delivery system.

### BIM

Most IPD models assume the use of BIM. But it comes with its own set of challenges, including a new/different definition of the deliverable, questions regarding ownership of the model and the blurring of roles and responsibilities. And interoperability, or a single standard for data exchange, has not yet been fully realized. According to a 2007 research study,<sup>3</sup> on average, about 3.1% of project costs are related to software non-interoperability.

Still, we may have already passed the tipping point on BIM. According to one major study, architects have gone from just exploring the technology to using it on a majority of their projects. Engineers, owners and contractors are expected to use BIM on most of their projects by the end of 2008.<sup>4</sup>



## RELATIONAL CONTRACTS

Essential to IPD success, says Lewis, is a contract that recognizes that the risk of project failure exceeds the individual risk of the participants, thus contractually tying the participants together to achieve project success.

Some current IPD approaches, involve a single agreement that ties the owner-builder-designer team to a no-claim, total project, success-based reward system.<sup>5</sup> The risk/reward in this arrangement is based on value, not fees, and all parties share the project's upsides and downsides.<sup>6</sup> Other teams have used very traditional contracts but the teams acted in a way that mirrors the concepts of IPD, and Lean Construction.

In an integrated design environment, the lines of responsibility for each project participant become blurred because the mantra of all members of the team becomes "you watch my back and I will watch yours." This will require a fresh look at the legal relationships between the parties; a body of case law does not exist.

Because existing contracts do not address IPD concerns, parties have been developing custom contracts. Lewis warns that such contracts must include clearly defined protocols and understandings as to how information is shared, who will be responsible for it and how the risks will be apportioned. Contracts also need to anticipate incentive milestones, methods of compensation, dispute resolution, conditions for withdrawal from the project and termination.

## IS IPD RIGHT FOR YOU?

While IPD can improve the project delivery process and lower risk, Lewis stresses that it's not for everyone. "The change implied by collaborative project delivery is huge; it challenges legal theories, long-established business practices and public procurement policies," he says. "Not every client, not

every contractor and not every design professional will be willing or able to make the changes necessary."

## STAY TUNED

The Design Professional group of XL Insurance will continue to examine integrated project delivery, studying the legal and claim environments to determine if there are needs not being met by traditional insurance vehicles.

Integrated project delivery is not a panacea, Lewis says, but when used in concert with lean construction principles, building information modeling and relational contracts, chances for project success are improved. "Any time there's enhanced communication, collaboration and team building, risk goes down," he says.

Still, the basics will matter more than ever. Lewis says, "Firms who embark on the uncharted waters of IPD need to pay more attention to client selection, contract management, staffing and especially their communication skills."

## REFERENCES

- 1 Available for download at [www.aia.org/ipdg](http://www.aia.org/ipdg)
- 2 Developed by the Lean Construction Institute. [www.leanconstruction.org](http://www.leanconstruction.org)
- 3 *Interoperability in the Construction Industry*, SmartMarket Report, McGraw Hill Construction, 2007
- 4 *Ibid.*
- 5 "Project Alliancing: A Relation Contracting Mechanism for Dynamic Projects" by Matthew W. Sakal, published in *Lean Construction Journal*, Vol 2, No. 1, April, 2005 by the Lean Construction Institute
- 6 "The Integrated Agreement for Lean Project Delivery" by William A. Lichtig, published in *Construction Lawyer*, Vol 26, No 3, Summer, 2006 ©2006 by the American Bar Association

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30 Ragsdale Drive  
Suite 201  
Monterey CA 93940  
800-227-8533 ext. 2102508  
[www.xldp.com](http://www.xldp.com)