



## Integrated Project Delivery (IPD): A New Paradigm for Construction Contracting

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Construction is a high-risk, high-reward industry. The traditional design-bid-build method often fosters conflicting interests and clashing incentives amongst the project participants, the owner, the design team and the construction team. The business independence of each participant can create an inherently adversarial environment, potentially impacting the productivity and efficiency of construction, which, in turn, can lead to project delays, cost overruns eroded profits, and costly claims. IPD breaks the traditional mold by financially incentivizing a collaborative approach to a construction project, an approach that paves a path to "we all win or we all lose." Project success becomes the mantra for all of the IPD participants. r entity formalities with which a business should be compliant.

Collaboration between the owner, the design team, and the contractors is not a novel idea. In the 1980s the concept of "partnering" was introduced to the industry. The partnering process was designed to allow the owner and contractor to reach a set of mutually agreed upon objectives and goals through a series of workshops. Partnering focused on developing inter-organizational trust and communication as the foundation of the cooperative relationship between the owner and contractor. For various reasons, however, the partnering initiative never caught on in the United States.

Partnering floundered because of its inherent flaws: it was non-binding and lacked teeth. If a participant decided to reject the "we will all play nice together" notion or some project predicament harbingered some meaningful cost implications, the relationship defaulted back to the contractual rights of the parties dictated by the Owner-Contractor/CM agreement and Owner-Architect/Engineer agreement. The internal analysis of the parties then reverted to the inquiry: "Is my economic interest served best by asserting a claim, blaming others for the difficulty to avoid a painful financial hit?" IPD has the potential to erase this last question from the thought process, impelling the parties towards collaboration by having all parties share gains for success and losses for cost overruns.

IPD is intriguing because, through contractual arrangements of risk/reward incentives, often accomplished in a single agreement executed by the IPD participants – Owner, Contractor or CM, Architect/Engineer and, perhaps, significant subcontractors and sub-consultants – risk/reward is shared among the participants. If an alleged design error causes some added costs to the project, the costs are shared as a defined percentage: no claim. If the GC/CM commits some construction snafu, the costs again are shared: no claim. If the project meets or beats project goals, which can go beyond budget and schedule and include things like safety record, design recognition, customer experience, etc., financial reward is shared.

Since with IPD everyone has skin in the game, the IPD contractual agreement typically modifies the conceptual approach to the phases of design and construction. On a design-bid-build project, a contractor may never have a hand in contributing value engineering concepts or constructability reviews during the design process. Likewise, an architect or engineer may never participate in a cost estimate meeting with a contractor. On a project utilizing IPD, however, both the design professional and contractor are strongly encouraged and may be contractually obligated, to participate in the conceptualization of the project with the owner. All of the IPD participants can help develop design schemes, performance criteria and scopes of work, and even develop a collaborative budget for the construction costs. Then, during construction, all of the participants again collaborate in the decision-making process when issues arise relating to the scope, budget, material purchases, schedule, conflicts, etc., issues that might impact the cost, timing or other goals of the project.

Although IPD is still in its infancy, we are seeing the optimism that this new paradigm will work. Owners are signaling that they are ready for a shift, and contractors and design professionals seem willing to become real partners with owners to help ensure a successful project. We have already participated in successful IPD projects and see that it can work, with the right mindset of the participants and the proper structure in place. What makes IPD attractive is that it not only intends to create an environment where decisions, solutions to problems, and behaviors are driven by a shared set of goals and objectives but when fully embraced, IPD drives a behavioral shift towards setting performance targets that can far exceed business-as-usual results.



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