

What is Integrated Project Delivery?

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This month, we launch a new series in Capital Project Solutions. Throughout 2010, our newsletter will be devoted to Integrated Project Delivery (IPD). We will explore all issues related to IPD, from project identification to team selection to contract and incentive development. With four IPD projects underway, we will share case studies and lessons learned throughout the series. If you should miss any of the articles or to learn more about other strategies to ensure your project's success, visit KLMK Group at www.klmkgroup.com.



The pressure is mounting! Healthcare owners must find a way to deliver a project that addresses the demands for the latest technology, concerns about the environment, new government regulations, changes in reimbursement, and transparency requirements all while getting sufficient return on their capital investment. And if that is not enough to worry about, everyone wants to ensure that their projects are delivered in the quickest and least costly manner possible. When expectations of healthcare owners are elevated, the market must adapt to deliver desired outcomes. Old ways of doing things quickly become obsolete and ineffective. **The traditional project delivery process has simply become outdated!**

As a result, the AEC industry is looking for alternatives to the traditional project delivery method. There is a revolutionary shift in the way projects are delivered to a more integrated form of delivery, which will address most of the concerns of the healthcare owner as mentioned above.

IPD, as defined by the American Institute of Architects, is “a project delivery approach that integrates people, systems, business structures and practices into a process that collaboratively harnesses the talents and insights of all participants to optimize project results, increase value to the owner, reduce waste and maximize efficiency through all the phases of design, fabrication, construction and occupancy.” Efficiency goes up and

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waste goes down under a successful IPD process. In other words, true IPD is a collaborative capital project delivery method that shares risk and reward in an integrated form of agreement to reduce the time and cost to bring a superior product (a new, expanded or renovated facility) to market.

In the traditional delivery model (known as “design/bid/award”), a project is designed and is then bid to several construction firms. Typically, the lowest bidder is awarded the contract. Operational decisions are made throughout the design process, but their impact on the cost or scope of the overall project may not be realized until later in the process. There are also multiple “hand offs” throughout the process which creates inherent wasted time and energy. In IPD, the team is brought on board at the start of the project so that cost and scope decisions can be determined by the entire team. Hand off’s are greatly reduced or eliminated.

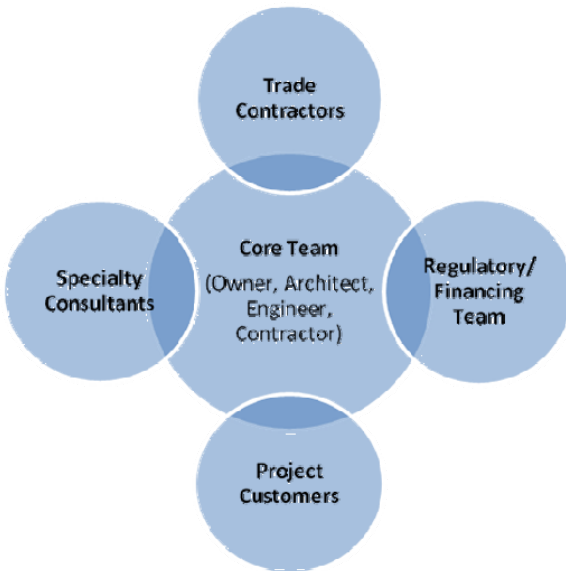
Many healthcare owners believe that the traditional way of delivering projects is outdated and full of inefficiencies. Some of the symptoms of this broken system are:

- Cost surprises leading to a spiraling project cost
- Scope of project growing out of control
- Inability to stay within budget
- Unmet and unrealistic expectations
- Poorly functioning designs resulting in redesign
- Changing team members throughout the project
- Schedule delays impacting return on investment (ROI) and productivity
- *Worst case: lawsuits or other liabilities*

IPD takes a very collaborative approach to the delivery of a project and strives to eliminate waste and share risk and rewards among key team members through an integrated form of agreement. IPD integrates operational process into the design and construction of the project and truly gets all team members “singing from the same sheet of music” much earlier in the project.

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Integrated Project Delivery is Relational, Collaborative and Lean:



- It is **Relational** because the contract signed by all parties provides financial incentive to mitigate risk. An IPD contract reduces overall risk by making all parties responsible to each other.
- IPD is **Collaborative** because it creates a larger talent pool during the critical coordination stage at the very beginning of a project and harnesses the insights of all participants. The larger talent pool comes from gathering all necessary expertise at the outset of the project. This concept is familiar to many healthcare owners who are applying Lean principles to their own operational processes.
- IPD applies the same **Lean** principles to development and thus reduces waste and optimizes efficiency through all phases of design, fabrication, construction and occupancy. It creates an environment to allow proper allocation of resources and responsibilities in order to reduce errors and avoid rework.

In today's healthcare environment, it is crucial for owners to be creative and open-minded to meet the demands of patients, physicians, workers, financial institutions and government agencies. If a capital expansion project is the solution to a critical need, then it is strongly suggested to explore an integrated and collaborative approach to delivering the project. An owner should explore all options and keep an open mind when determining the most appropriate solution. With patience and diligence, options can be found. Invest time in the initial launch and initiation phase of the project. Do not rush and miss new opportunities that exist in the delivery of healthcare capital projects. Finally, the delivery of capital projects can be fun as well as successful, and through an integrated and collaborative approach, the goals of your healthcare institution can be realized efficiently and effectively.