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Client Selection and Relationships: Cultivating Growth

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In today's competitive business environment, client selection and strong client relationships are pivotal elements in fostering sustainable growth. By understanding related risk drivers, implementing a thorough client selection process, and maintaining strategic relationships, organizations can mitigate potential risks while enhancing their overall success.

AXA XL's proprietary "Risk Drivers" data looks at the top six non-technical causes of loss that may exacerbate or influence claims. Current data indicates that client selection-related issues rank second in frequency, demonstrating how crucial it is that firms conduct diligent research to identify potential risks associated with new clients and make informed decisions. Below are some client-specific factors to consider as part of your go/no-go decision making.

Length of Relationship

Engaging with repeat clients can significantly reduce risks. Parties invested in long-term relationships beyond individual projects tend to seek win-win solutions rather than pursuing short-term, self-focused objectives. This investment often leads to greater predictability in project outcomes, more standardized contract terms, and improved overall performance. Research supports the notion that organizations prioritizing long-term relationships often experience fewer disputes and more successful project completions.

Experience

The sophistication of a client—encompassing their experience and corporate culture—plays a vital role in the selection process. When evaluating a potential client, some key factors to consider include whether the client is embarking on a project type for the first time and whether their corporate culture aligns with yours. Success can hinge upon whether a client operates collaboratively or through a more bureaucratic, transactional approach. Additionally, assessing

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past performance, such as prompt payment histories and organizational structure, can provide insights into potential future interactions.

Quality-based Selection

Quantitative Research shows that clients utilizing qualifications-based selection (QBS) rather than price-based selection are often more successful achieving their project goals. Early involvement of the construction team fosters collaborative team dynamics yielding better results than a more adversarial “good fences make good neighbors” mentality. As such, design organizations should contemplate a client’s selection process—whether it is based on qualifications-based selection or a low-bid approach, for both the design and construction teams – to understand the likely level of collaboration and team dynamics.

Financial Management

With repeat clients, the effectiveness of their financial management is demonstrated by their past projects. However, it is possible to get a sense of a new client’s approach to financial management during the proposal phase of a project. It is appropriate to evaluate whether the project has a realistic budget, the potential client’s attitudes around contingencies, the security of funding, and the achievability of the project schedule. Having clear expectations can greatly influence the likelihood of project success and overall satisfaction for both parties involved.

Before taking on a new client, it is prudent to become acquainted with their history. Understanding a client’s financial and litigation histories is critical to an effective client intake process. Use online resources to research the client and their past projects beyond just the first page of results. Oftentimes the client’s website will list past projects, and you can use this list to do further research into the outcome of the project. If you have identified a particular geographic region where your client does a lot of work, consider searching the online docket for your local, state, federal or provincial court to review the pleadings in lawsuits a client may have been involved in. Subscription-based tools like LexisNexis can provide a history of claims and litigation. Your lawyer should be able to assist with a search. No project is perfect and clients with a history of litigation

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are more prone to asserting claims in the future so having this knowledge from the outset of the relationship can help frame how best to mitigate risk.

Contract Requirements

Analyzing the client's historical operating modes, their willingness to engage in mediation as a primary dispute resolution method, and their approach to standard contract terms can provide valuable insights. Overly onerous contractual terms and conditions require serious consideration and pushback. A client that refuses to negotiate and agree to fair terms now most likely will be equally difficult when an issue or dispute arises.

It is a red flag if a client refuses to discuss alternative dispute resolutions or is otherwise opposed to arbitration or mediation. Review all contracts to confirm that they include an insurable standard of care and waivers of consequential damages. Certifications, guarantees, or warranties are not always appropriate in a design professional's contract. Avoid elevating your standard of care with any red flag word like "ensure, assure, best, every, or optimize". Additionally, do not agree to take on responsibilities of jobsite safety – that should be the purview of the General Contractor. Review the contract carefully so that there is nothing in your contract that indicates you will assume jobsite or worker safety responsibilities.

Communication

Proactive communication is key to maintain strong client relationships. Regular, open dialogue helps address concerns before they escalate and encourages mutual success. Investing in personal connections at multiple levels within the client organization can enhance relationships. Engaging junior staff builds broader connections and prepares the next generation for future collaboration. To cultivate lasting relationships, it is important to look beyond individual projects. Understanding corporate goals and aligning services to help clients achieve their objectives can enhance loyalty. Providing value through industry insights, articles, and recognition via awards can further solidify a client's trust and commitment to your organization.

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Identifying strategic repeat clients is essential for sustainable growth. Key considerations include whether the partnership is mutually profitable, alignment on project types and market opportunities, and the presence of a supportive relationship that encourages both technical and financial growth. Focusing on quality and service over low prices often leads to more fruitful and enduring partnerships. Trust serves as the foundation of any successful client relationship, making it essential to avoid over-promising capabilities and instead focus on being predictable and reliable. Following through on commitments and prioritizing project and relationship success over individual self-protection fosters a culture of trust.

In any business, effective client selection and relationship management are essential for fostering growth and mitigating risks, but this is particularly crucial in the design profession. By gaining a deep understanding of clients, prioritizing financial viability, and nurturing trust through proactive communication, organizations can cultivate strong and enduring partnerships. Ultimately, these strategic relationships not only enhance project success but also contribute to long-term organizational growth and stability.