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Creating a Risk-Aware Culture in Architectural and Engineering Firms

I. Defining Risk Management in the Design Profession

Take a moment to reflect on if a group of design professionals from different backgrounds were asked to write a one-sentence definition of what the term ‘design profession risk management’ means to them, they would likely come up with numerous answers. The same result would most likely occur if we were to ask a group of insurance professionals dedicated to insurance and risk management services to the design profession. And again, if we were to pose this question to a group of lawyers focused on representing design professionals, we would most likely get a range of answers.

Many answers would be similar, but most would focus on the steps design professionals can take to reduce loss. These are basic processes and procedures that, when followed, often cut down on losses and sometimes prevent them completely. There are untold numbers of books, seminars, articles, guidelines, and suggested policies routinely published that offer excellent, concrete steps that design professionals should follow to reduce loss. From recommended contractual terms to specific project processes. And most of those are probably, in and of themselves, great resources. We strongly encourage design professionals to make a habit of taking advantage of such materials and events.

Within the architectural and engineering professions, effective risk management is often discussed in terms of contracts, procedures, and technical compliance. Yet decades of professional liability experience demonstrate that the most significant determinant of long-term exposure is not process alone, but organizational culture. If the culture is right, the steps to take and continue individual and firmwide risk management improvement will follow. A risk-aware culture within architectural and engineering firms does not emerge accidentally. It is the result of sustained leadership attention, a shared discipline, and a shared professional understanding amongst the entire staff that everyday decisions carry long-term consequences. It is built with intention; it just doesn’t happen.

II. Why Culture Often Matters More Than Technical Skill – Loss Does Not Usually Arise From Dramatic Failure

Across design professions, the most significant financial losses rarely stem from dramatic technical failures. Instead, they arise quietly from undocumented assumptions, informal approvals, unclear scope boundaries, and delayed communication when problems first appear. Some might say ‘it’s the little things’ that we simply forget to pay attention to, rather than the big, dramatic ‘oops’. Some will remember cultures that permitted devastating losses and setbacks to occur. Remember the Challenger Disaster? For those who have forgotten this disaster or never really examined it, you are encouraged to search the internet and refresh your memories. History repeatedly shows that catastrophic loss rarely results from a single failure. Events such as the Challenger disaster demonstrate how a sequence of individually rational decisions can collectively produce devastating outcomes. Many documentary movies and television series

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have clearly shown us that disasters generally result from a series of separate issues coming together, not from a single cause.

Consider a transportation corridor improvement project in which the engineering team faced compressed review timelines driven by funding deadlines. To maintain the schedule, minor design clarifications were issued verbally during coordination calls rather than formal written addenda. Construction later revealed conflicting interpretations that required costly rework. Although the technical design met the professional standard of care, the absence of documented direction transformed a manageable coordination issue into a professional liability claim.

Loss is rarely a result of a single moment of error. It is usually a sequence of small, reasonable-seeming decisions that collectively drift beyond good practice management. This pattern repeats across the design profession and construction industry. Leadership must therefore recognize that culture, not technical skill alone, determines long-term exposure. Firms that lack a disciplined internal risk culture often experience more disputes with clients and subconsultants, leading to lower profits and slower growth. From the mail room to the C Suite, it is vital that leadership ensures this message is recognized and understood by all staff members.

### III. Fostering an Open Culture

Open communication is fundamental to any meaningful risk-management culture. Architectural and engineering firms that deliberately prioritize transparency create an environment in which professionals feel comfortable identifying uncertainty, discussing potential exposure, and addressing concerns before they evolve into disputes or claims. In contrast, organizations that allow silence, hierarchy, or fear of criticism to suppress discussion often discover that unspoken issues become the very source of financial and professional loss.

Risk awareness depends on the free flow of accurate information. Project managers, technical staff, and firm leadership must all operate with a shared understanding that early disclosure of problems is not a weakness but a professional responsibility. When communication channels are clear and consistently used, emerging risks can be evaluated, documented, and resolved while solutions remain relatively inexpensive and manageable. Early escalation of problems often solves those problems before they become real headaches. Every firm member should be encouraged to raise concerns early.

If staff members are reticent to raise concerns for fear of how they will be looked at, the firm doesn't have an open culture. Constant encouragement by leadership is required to develop such an environment, and when issues are raised, those raising the issue should be treated with the utmost courtesy and respect. Perhaps issues are raised because of inexperience or a lack of knowledge. No matter the reason, the mantra 'there is no such thing as a dumb question' is true. If one person raises a question or issue, it is almost certain that others have the same question but are uncomfortable asking it. Let's make everyone

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comfortable asking the dumb question.

#### IV Adverse Consequences of a “Closed” Culture

A closed organizational culture within an architectural or engineering firm rarely announces itself openly. Instead, it develops gradually through subtle signals, hesitation to question client directives, reluctance to document uncertainty, or quiet discouragement when staff raise inconvenient concerns. Over time, professionals learn that maintaining harmony is valued more than surfacing risk. The immediate effect may appear positive: projects move quickly, meetings remain agreeable, and difficult conversations are postponed. Yet the long-term consequences are significant. When uncertainty is suppressed rather than examined, design assumptions remain untested, scope boundaries blur, and early warning signs of coordination failure go unaddressed. What could have been a manageable clarification during design can later emerge as a construction dispute, schedule delay, or professional liability claim costing multiples of the original fee.

Real-world claim experience repeatedly illustrates this pattern. In one common scenario, junior staff recognize that a client-requested revision conflicts with code interpretation or previously issued drawings, but they remain silent because prior questions were dismissed as overly cautious. Construction proceeds based on the unchallenged direction, only for the conflict to surface during inspection, requiring redesign, rework, and strained client relations. In another example, a project manager delays notifying firm leadership about mounting schedule pressure to avoid appearing incapable of meeting commitments. By the time leadership becomes aware, contractual notice periods have expired, and recovery options are limited, transforming a solvable management issue into a financial loss. These outcomes are not failures of technical competence; they are failures of culture. Closed environments convert ordinary project challenges into avoidable exposure because the organization prevents problems from being seen early, when they are still inexpensive to solve.

Beyond financial impact, closed cultures erode professional judgment and morale. When individuals believe candor carries personal risk, they disengage from thoughtful decision-making and default to minimal compliance. Innovation declines, collaboration weakens, and talented professionals often leave for environments where their expertise can be expressed without fear. Clients may also sense the lack of transparency, interpreting delayed disclosures or defensive communication as unreliability. Ultimately, a closed culture undermines the very qualities such as trust, accountability, and disciplined judgment, that sustain long-term success in the design professions.

#### Conclusion

So, how do we create this open culture?

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## *Regular Risk Management Meetings.*

Structured, recurring risk discussions should be embedded into normal project operations rather than treated as extraordinary events. Project teams benefit from scheduled opportunities to review progress, identify deviations from scope or schedule, and openly evaluate developing concerns. These meetings reinforce that risk management is an operational discipline, not merely a legal or insurance function.

A practical illustration underscores this principle. One mid-sized engineering firm implemented monthly risk meetings across all active projects, creating a structured forum for open discussion of developing issues. Through these conversations, the firm identified site-safety concerns and coordination conflicts early enough to prevent schedule disruption and cost escalation. Over time, this disciplined communication contributed to measurable operational improvement, including higher rates of on-time, on-budget project completion and stronger client satisfaction.

In addition to having regular project meetings described above, regular department or firm meetings should be held that will encourage an open atmosphere. These do not have to be grand, formal events. Simple short meetings can suffice. Ordering pizza for a lunch meeting is ideal. Keep the meetings informal. The key is to encourage open discussion.

## *Feedback Loops and Post-Project Learning.*

An open culture treats completed projects as learning opportunities rather than historical artifacts. Post-project reviews allow teams to identify what worked, what failed, and what warning signs appeared too late. Capturing these lessons institutionalizes knowledge, reduces repeat mistakes, and gradually strengthens firm-wide judgment.

## *Non-Punitive Reporting.*

Staff must believe they can raise concerns without jeopardizing their reputation or career advancement. When firms respond to early warnings with blame, ridicule, or defensiveness, employees quickly learn to remain silent. Conversely, when leadership treats risk reporting as responsible professional conduct, the organization benefits from earlier intervention and reduced claim severity.

## *Leadership Behavior and Psychological Safety*

Open communication cannot exist without visible leadership support. Professionals observe whether senior leaders genuinely welcome difficult conversations or merely claim to do so. If candid discussion is quietly discouraged in favor of maintaining optimism or preserving client relationships, staff will adapt accordingly. Risk awareness then erodes, not through policy failure, but through cultural inconsistency.

Leaders shape psychological safety by:

- Asking direct questions about uncertainty and exposure
- Thanking staff who surface uncomfortable issues
- Separating problem identification from personal criticism
- Demonstrating that truthful reporting is valued more than short-term appearances
- Admitting that they, too, have had their own communication 'oops' moments, and how they learned from them.

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When leadership consistently models these behaviors, transparency becomes normalized. Over time, the firm develops a shared expectation that risk should be surfaced early, analyzed objectively, and addressed collaboratively. Not only does an open culture lead to better long-term profitability, but it also boosts morale. While perhaps not quantifiable, common sense suggests that higher morale in a firm results in many advantages, including a better bottom line.

For firm leaders, the implication is direct: culture is not an abstract ideal but a measurable business asset. Firms that deliberately cultivate transparency, disciplined communication, and psychological safety consistently experience fewer disputes, stronger client relationships, and more stable financial performance. In an industry defined by professional judgment, culture ultimately becomes the most reliable form of risk management.