Practice Management

More Wisdom for the Ages: Best Practices in Business Development Part 2 (PMKC Free Webinar)
Questions & Answers Log

Presented 3.28.2013
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1. **Q:** A comment: If you think that D-B is challenging, take a look at what we are doing a lot of in Canada: Design/Build/Finance and Maintain, where the consortium not only designs and builds the project, but also finances it and, operates it and maintains it for 30 years. The life cycle costs of our designs really come into play here! [Gustavo Lima]
   A: See article.

2. **Q:** How can we evaluate if clients do not easily cooperate or do not easily communicate enough information? Do you ever structure your fees so that payments are guaranteed by a letter of credit? [Robert Cohen]
   A: Ah! I can dream. The problem is, as an industry, someone will be willing to undercut you and do it without a guarantee so why try? Unless or until, we, as an industry stand together against some of the client's bad decisions, it is not the larger firms that will suffer. It will be small practices.

3. **Q:** I could have asked this better, but the point is keeping up with trends without experience increases the chances that the costs of performing the work get out of hand. So are there any methods or strategies for controlling risk while also moving into new sectors? [Joe Manganelli]
   A: See #5.

4. **Q:** Great presentation! You mention both the need to be realistic about costs and at the same time, the pressures to embrace new technologies and opportunities. Usually, to definitely know what something will cost means there is deep experience. To address new design challenges, the opportunities are more opened-ended and almost by definition tough to schedule work around. So how does one both control costs and grow with the trends in the industry? [Joe Manganelli]
   A: I love this question. The short answer is budget. Don't spend more than you have to invest. If you want to look at the utilization of a new technology or the expansion of a market sector(s), then get what you can afford to make on that investment. Examine your profitability and determine what portion you can afford in a new initiative. Just like managing a project, put a budget and a schedule to it, so that you can strike that balance between risk management and budget allocation.

5. **Q:** Linking the commodity issue and the design-build issue together, do you think that there are opportunities to leverage the design capabilities of firms with the design-build model to avoid commoditization? [Alan Burcope]

A: Design build is a broad term that encompasses a myriad of deliveries including "clean sheet" design-build, design, build and finance; design, build, operate and finance, as well as alternative delivery methods such as IPD and LEAN. Under these scenarios, the contractor functions as the "driver" of the team based on a set of criteria that that the owner establishes. To the extent that the owner's selection processes is based on a clearly defined qualifications based selection (QBS) process that weights cost as a factor, then the answer could be "yes." Because then, the value is based on something greater than the lowest commodity price. However, if the weighting or factoring of price is not clear or if it is weighted substantially higher than design, additional program space or other criteria than the answer would likely be "no", because the value would be biased towards price. The analysis of the criteria for design build goes a long way in the determination of a commodity based relationship.

6. **Q:** I think that your assumed defintion of design-build is too narrow and short changes the potential opportunities that it can bring to design firms. Have you never seen design-build done in a way that actually serves the design community's interest? [Alan Burcope]
A: I didn't have enough time to cross all design-build methods so I started with the most basic which is narrow. Perhaps DB-BD could be a topic for a future course, but let me answer your question. I have seen design-build serve the community interest, when the client and the contractor are on the same page. In design-build, the driver isn't (typically) the architect, it is largely the GC. This is where I believe IPD or LEAN make it more interesting because the interests of the project not the individuals are put forth from the beginning--sacrificing nothing.

7. **Q:** Nothwithstasnding design-build, what can you tell us about the integrated project delivery as a market? [Brian Chamberlain]
A: I am a curmudgeon! Integrated project delivery isn't a market it's a vehicle by which projects are delivered. There are client types that prefer IPD--healthcare higher education for example. But, it isn't a market sector per say. That said if that is your interest, you are likely in pursuit of a more sophisticated, collaborative client with resources and the desire to utilize technology as a means of delivering their facility. That transcends a market type.

8. **Q:** I just started my sole proprietorship. Where do I find RFQ's/RFP's? [Michael Tomczak]
A: First define who you want to work with (type of clients) and then determine what portfolio you have to sell. That said, don't join the RFP hunt for sport, you'll lose every time. Target clients with whom you have a relationship. That is where you are likely to get work. As a sole proprietor, large, public agencies are not likely to want to take a risk on an "emerging growth firm". For those types of pursuits, consider being a sub consultant.

9. **Q:** What percentage of A/E firm projects are won by pursuing formal proposals versus simply networking and finding opportunities that aren't going through a formal RFP process? [Matt Ostanik]
A: There isn't a formal industry study (that I'm aware of) on this but I can share some anecdotal information. PSMJ publishes something called a "Fees and Pricing Survey." It attempts to answer this question annually by surveying hundreds of firms of all sizes, and disciplines across the US. The latest data suggest (and it varies by discipline) that as many as 40% of all proposal pursuits are won by firms in a competitive process. But, what you should understand is that if they developed a strong client relationship BEFORE the RFP was issued, they were networking with the client and the RFP was nothing more than a vehicle by which to make a selection.

10. **Q:** What happens if your projected sales are not farther out than three months (for a small firm)? Obviously we need a long term vision, but we are mostly reacting. Would your approach change? [Christina Frankel]
A: If you can't project any further than three months out, then you must be constantly developing work. This is especially true, since there are at least three months in every year where clients either aren't or can't contract for work - end the fiscal year, holidays and inclimate weather periods. Sounds crazy but I true sales calendar is about nine (9) months in a year, but a sales cycle (the time it takes for the client to make a decision) can take as long as 18 months.

11. **Q:** Would also suggest seeking out a mentor that might advise you and/or open doors. What do you think about asking a previous employer for referrals on projects that they are not interested in or in a position of taking on? [Michael Strogoff]
A: Absolutely. Let's face it, sales isn't what we all signed up for in getting into this business. It is an art. The 14th Annual AIA Architects Handbook (November 2014) offers advice, direction and counseling on networking and business development.

    The second part to the question is a slippery slope. You can always ask your previous employer about referral work, but in essence that would be endorsing a future competitor. If this is what you're interested in doing, the larger question should be discussed which is how does firm feel about collaboration outside of the employer-employee relationship.

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