



APRIL
2024



ALTERNATIVE PROCUREMENT: HOW TO SET YOURSELF UP FOR SUCCESS

HOW TO LEVERAGE

PEOPLE, PROCESSES AND INFRASTRUCTURE
TO POSITION YOUR COMPANY FOR SUCCESS
IN THE ALTERNATIVE PROCUREMENT SPACE

BY EMILY BEARDALL AND RICH RANTALA

Alternative procurement, which includes project delivery methods such as construction manager/general contractor (CMGC), construction management-at-risk (CMAR), progressive design build and integrated project delivery (IPD), is pushing industry stakeholders to emphasize collaboration and high-value preconstruction solutions in their projects. Collaborating and executing projects more effectively is particularly critical in today's infrastructure space, where many owners face drastic budget shortfalls, risk mitigation concerns, intense schedule pressures and resource constraints.

In fact, more and more owners and engineering and construction (E&C) firms are adopting an alternative procurement philosophy as an integral part of their business models. And of the companies that do, the ones that experience the highest success levels see it not as an afterthought or an offshoot of their traditional delivery models – but as a key strategic priority for their organizations.

In this white paper, we explore the three pillars that underpin a successful alternative procurement approach for E&C companies of all sizes and across all verticals. These pillars – people, processes and infrastructure – apply to companies that are already operating in the alternative procurement space as well as those that are making their first foray into it.

MORE PROJECT PREDICTABILITY PLEASE

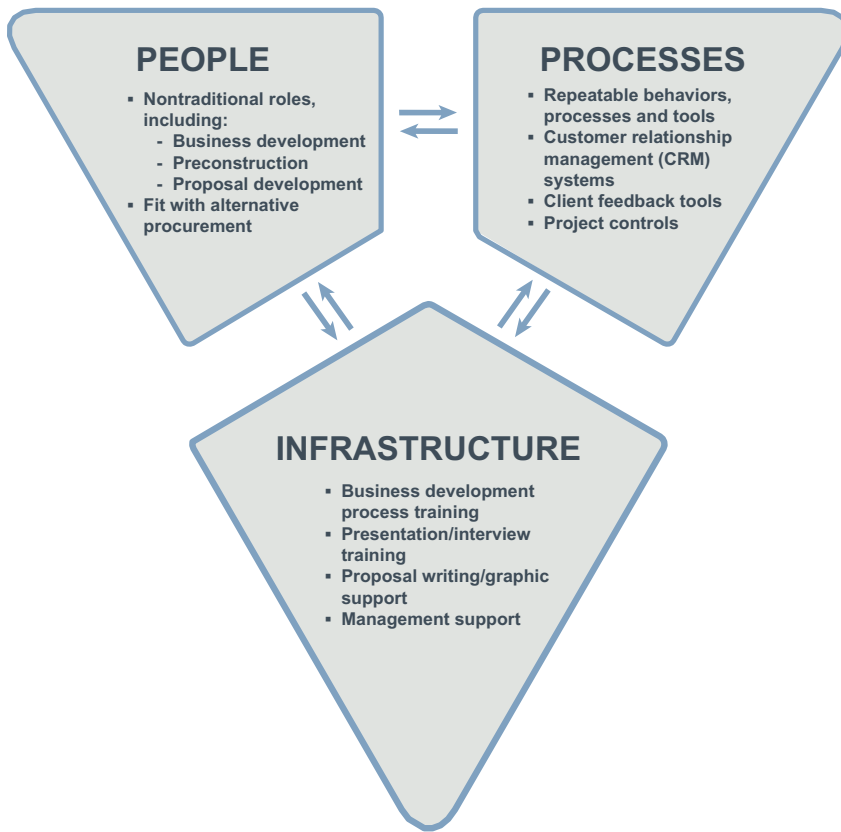
Historically, project owners employed design-bid-build as the project delivery method of choice. But as project needs and risk exposures changed, owners began looking for alternative delivery methods that essentially allowed projects to be built in a collaborative, virtual environment using building information modeling (BIM) technology during the preconstruction phase. This kind of collaboration with owners ensures there are no surprises in the planning phases and improves processes overall, from start to finish.



KEY COMPONENTS OF A SUCCESSFUL ALTERNATIVE PROCUREMENT APPROACH

It takes three things to ensure alternative procurement is successful: people, processes and infrastructure. Below is a snapshot of the top alternative procurement best practices and what to think about when beginning the process.

EXHIBIT 1



START BY PUTTING THE RIGHT PEOPLE IN KEY ROLES

Successful organizations always put people first, whether they're employees, customers or business partners. This is particularly vital during times of transition, when people are expected to shift how they operate or work. For E&C companies just starting out with alternative procurement, having the right people in the right roles can mean the difference between success and failure.

Establishing a dedicated team is critical — and keep in mind people will need to be retrained on how to approach project delivery. Not surprisingly, it takes time and attention to make sure that team members have the skills they need to deliver under a new model.

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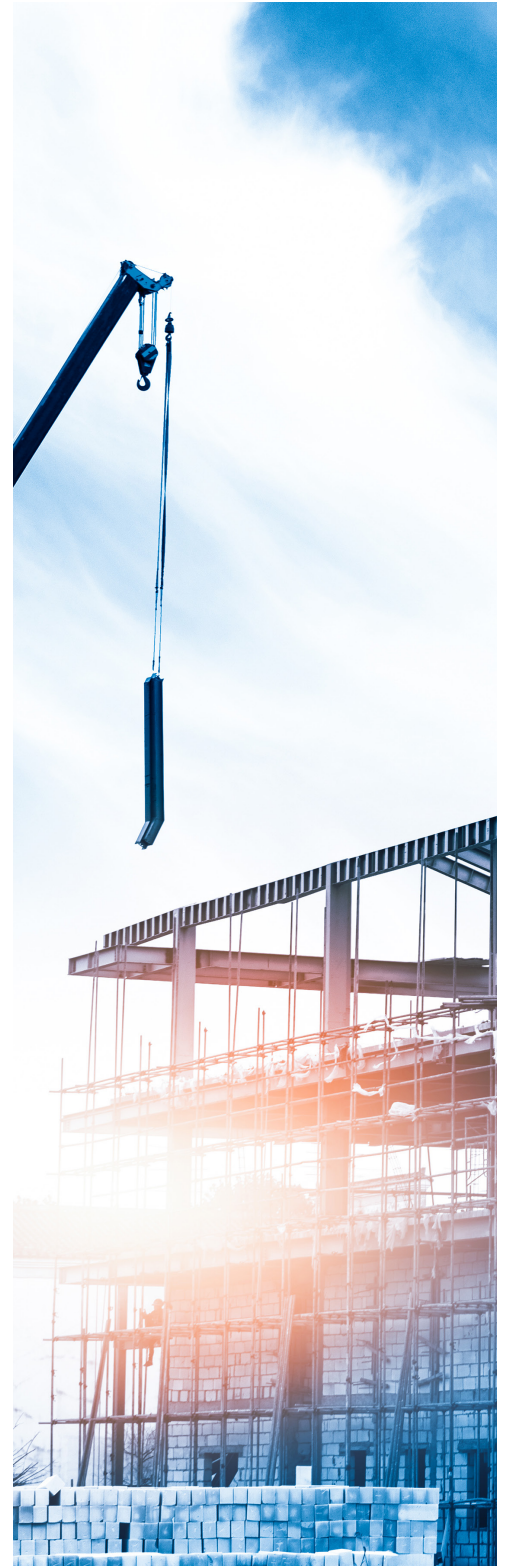
ALTERNATIVE PROCUREMENT ENSURES PROJECT SUCCESS

An FMI client was hired to build a long, single-span bridge over an active landslide on difficult terrain. The preliminary design in the RFP for design-build solution was not feasible for construction and contained inadequate geotechnical information, making pricing the work impossible. Bidders would have needed to take at least a year to gather the appropriate information, a period during which the site would've become even less accessible.

After much deliberation, the owner issued a new RFP calling for a collaborative CMGC delivery. By working together during the preconstruction phase, the team, consisting of the owner, CMGC and designer, created a constructable design, packaged the work to optimize the schedule and prevented what could have resulted in project failure due to significant risk and claim exposure.

To develop a people-first approach to alternative procurement, firms should emphasize three key roles – in business development, preconstruction and operations – that are critical to achieving alternative procurement success:

- 1. Dedicated business development leader.** From the outset, this person should be an internal champion who educates the organization about alternative procurement methods and pushes for their use. They should work closely with operations and owners to identify potential project candidates, educate the owner on alternative procurement advantages and make sure team members get the training they need to be able to win work and execute it. The business development manager should effectively communicate the benefits of alternative procurement across the enterprise.
- 2. Preconstruction manager.** Tasked with managing throughout the design and preconstruction phases, this person should be able to see what’s “not there” (conceptual design) and understand the advantages of this innovative delivery method. With the right person in this role, the design phase is more efficient, effective and complete. Key duties include managing the owner’s expectations, overseeing engineering and design, and managing comprehensive risk mitigation. To ensure projects run smoothly, leadership should designate a single preconstruction manager, as alternative procurement projects can fail when these responsibilities are shared.
- 3. Proposal manager.** Organizations that emphasize alternative delivery benefit from having a dedicated proposal manager who also coordinates the development of requests for qualifications (RFQs) and proposals in a timely and efficient manner. The proposal manager must understand the more technical aspects of the proposal itself, such as the document’s formatting, content, messaging and readability. This person should be able to integrate differentiating sales messaging into proposals. Additionally, the proposal manager can serve as a sort of librarian, helping to digitally access past documentation and project data.





To fill the nontraditional roles identified above, firms should look for individuals who have:

- The right mindset for alternative procurement (e.g., collaborative versus competitive bid).
- A strong foundation of trust with the entire team, including owners, designers and contractors.
- Problem-solving abilities.
- Strong communication (including listening) skills, so that when problems arise, the team can discuss, assess and address as quickly as possible.

By focusing on the three noted roles and filling them with well-equipped individuals, E&C firms can establish a solid foundation for successful alternative procurement regardless of a project's size and industry segment.

DEVELOP PROCESSES AND PROJECT CONTROLS

For those who haven't previously developed an alternative procurement approach, this will be an interesting new exercise. Once completed, it can be implemented for future projects, factoring in lessons learned as well as wins.

A company's approach to alternative procurement requires a more formalized process than for traditional project methods, because it includes many more client-focused elements that must align. To make this happen, companies should ask themselves:

- What's our plan for pursuing, capturing and executing this project?
- What resources do we need?
- What steps do we need to take to get the project from concept to completion?
- What are the critical decision-making points along the way?

Alternative procurement is different from other project delivery methods because of the preconstruction phase. During preconstruction, the owner, contractor and designer work together to address project predictability, high-value solutions and comprehensive risk mitigation.

To help minimize risk and maximize success, a company's alternative procurement approach should at a minimum include:

- The company's step-by-step playbook for each phase of the project, including clear communication standards and practices.
- Well-defined job roles that clarify expectations for each member of the alternative procurement team.
- Emphasis on key areas of importance (e.g., design management, preconstruction, post-construction).
- Confidence that the right people are in the right positions early in the process and that key individuals are introduced to the client.

Establishing project controls that effectively monitor performance, support good decision making and measure success is also critical to alternative procurement done right. In fact, project controls can literally make or break any alternatively procured project.

Additionally, project controls are essential to effective owner management during the preconstruction and construction phases. For example, an owner will want clear communication and a reasonable schedule – both of which rely on the contractor being able to adequately explain schedule updates or cost changes. Knowing that owners may have selected progressive design-build over other delivery methods in favor of a quicker schedule or cost savings, good project controls will obviously help the owner and other parties achieve that goal.

When it comes to project controls, it's all about having transparent systems to monitor performance and measure success. These key performance indicators (KPIs) need to be included early in the preconstruction phase. Establishing a single point of contact to communicate with everyone on the project ensures the entire team is aware of the current status and is working from the most recent documents.

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GET THE RIGHT INFRASTRUCTURE IN PLACE

Much work goes into pursuing and winning alternative procurement projects, both of which require different approaches than traditional procurement methods. Beginning with client-driven business development, companies should focus on creating:

- Standard processes for market and client conditioning, including proposal and presentation development, which can be reused for subsequent project pursuits.
- Good collateral and sales tools. These are critical for successful marketing and helping clients understand the process.
- A digital database of all past projects for easy reference and data analysis. This keeps firms from having to start from scratch each time they're asked to submit for a new project.

Training is another important element of alternative procurement. To best position their teams for success, alternative procurement practitioners should be trained in a variety of areas, including BD process, presenting, technical writing and effective leadership. In most cases, companies use a combination of in-house training and education offered by third-party providers. Contractors also need to include regular sessions on how the company approaches and delivers any alternatively procured projects.

As with most any successful initiative, support for alternative procurement starts at the top. This isn't something companies should enter into without support from all levels of management. Executives will need a clear understanding of the investment in time, money and energy it takes to be successful with alternative procurement. They should also know that successful business development takes time to build the client relationships necessary to position and win new work.

PAVING THE WAY TO SUCCESS

Alternative procurement spending is an innovative project delivery method that presents a major opportunity for E&C firms. By focusing on people, processes and infrastructure, companies stand the best chance of both winning and performing well on any alternatively procured projects, as well as differentiating themselves in this competitive space.

As more companies pivot into alternative procurement, the most successful ones will be those that develop their teams, draw up their plans and act quickly. Doing so not only serves to impress project owners; it also minimizes project risk, reduces costs, maximizes value and lays a clear path to repeatable project success.



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