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What Should Be the Role of Today's Contractor?

Too many contractors think of themselves as merely builders. But contractors need to be much more. If you ask a surgeon what she is, she will probably respond, "A surgeon," not merely a doctor. Contractors need to stress the highest-valued services they deliver, not the lowest. There are a lot of builders out there, but contractors that position themselves as mere builders are thought of as a commodity and are forced to compete based solely on price.

Instead, a contractor needs to think of itself as a full-service provider of construction-related services. At one point in my past, I argued with my employer on our approach for a project proposal. Since the client was a developer, I suggested that we focus on our developer capabilities in order to stress that because we understood the client's business, we would be able to align our services to provide more convenience. I was overruled. The executive vice president took the position that we were builders and we should focus on that. Despite being a highly respected contractor, we didn't make the short list of contractors on the project. When we questioned the client, we were told that our builder approach didn't distinguish us from the other contractors.

Recently I had a discussion with a contractor that understands this concept. The contractor was dealing with a prospect that was negotiating with several contractors. The competitors were focused on value engineering the factory's design. I'm sure they had some significant savings, but they were left in the dust by the contractor I was talking to.

The contractor met with factory personnel and concentrated on how to improve the factory's efficiency. The result of this effort was the reduction in the size of the factory by 30 percent. The best way to reduce costs is to eliminate waste, and what better waste to eliminate than unneeded area? This contractor suddenly had a project not because it proved it was the best builder, but because it provided the prospect with the best value.

The lesson that is learned from these two examples illustrates that contractors must expand their services from being a mere contractor to a full-service value provider in the construction and development arena. This approach applies to the private and public sectors. Of course, the actual format of services will vary from situation to situation. Also, it would be naive to believe that all buyers of construction services

will embrace this approach. There will always be those who believe beating on contractors for the lowest cost is the best approach. But that tide seems to be changing as more and more buyers are realizing that collaboration is a better way to receive the best value and overall lower costs.

At conventions I've heard many buyers argue they went to design-build because they felt they would receive better value and more innovative solutions than in the

use of the conventional design-bid-build approach. The recent I 35W bridge in Minneapolis is a perfect example. The Minnesota Department of Transportation understands the benefits of taking a collaborative approach to business along with a selection process based on best value. It appears the 1,200-foot bridge will open in mid-September of 2008, a mere 13.5 months after the collapse of the old bridge. When I interviewed Jay Hietpas, the design-build program manager for the Minnesota Department of Transportation, he informed me that if they would have used the conventional design-bid-build approach, they would be going out for bids at about the time they are planning on opening the new bridge. When you consider that each day the bridge is not open costs the local community more than \$400,000 in additional transportation costs, the savings by this approach is greater than the total cost of the bridge. So how can any costs associated with speeding up the project have had any significant negative impact?

Our country's infrastructure is in terrible shape. Every category gets below a C grade (except solid waste with a C+ and bridges with a C). Considering most colleges have a minimum grade average to graduate at about a C, all our various infrastructure issues would not graduate; that's failing. The National Surface and Transportation Policy and Revenue Study Commission estimated last year that the spending on roads and bridges needs to be \$225 billion a year for the next 50 years, but we are spending only about \$100 billion a year. States and local government agencies have lately been struggling to even maintain that level, and now we learn the U.S. highway fund is broke. This spells doom for many contractors. However, it actually offers opportunity because there are many communities that are looking for creative solutions. For example, if a contractor can provide funding for a project that is on hold, there is a good chance it would be awarded the project. This process and others can be applied to all the infrastructure issues.

The squeeze on private funding creates a similar opportunity in the private sector. Further, as in the above example, contractors need to learn the businesses of their clients and prospects so they can help find creative solutions to increasing overall project value, such as reducing the size of the factory. Focusing on means to decrease operating expenses through green technology and the selection of lower-maintenance materials are ways the contractor can differentiate itself from its competitors. The list is almost endless and varies depending on the niche that the contractor operates in.

I'm not suggesting this is an easy approach to business because it's not. In fact, it is a very demanding approach because the contractor is required to bring much new expertise to the forefront. However, if the construction industry leaders want to be treated like the professionals I believe they are, then they need to raise the bar. The industry needs to stop being merely builders, but true professionals that provide full-service consulting services to their clients. My favorite definition of client is "someone under the protection of." It's time the construction industry makes that its motto because only when society recognizes that contractors are out to protect their clients and society will they receive the recognition they deserve.