



Estimating and Bidding Strategies
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Session Learning Objectives

- The size of the shift – bid work growing as the overall market shrinks
- The seven most demoralizing (and untrue) words in estimating
- Building a best practices approach to estimating
- Why cutting your margin is not a strategy
- Why software and hardware will not solve your problem
- Keeping your subcontractors close – while taking back your role as GC
- Having your most profitable year ever – in a recession



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Estimating for Advantage

THE MARKET IS TOUGHER THAN EVER BEFORE



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2013 Highlights

- High-volume nonresidential segments in 2013
 - Power (\$96.9 billion)
 - Educational (\$81.3 billion)
 - Highway and Street (\$79.6 billion)
- Strongest percentage gainers in 2013
 - Lodging (18.0%)
 - Transportation (12.0%)
- Weakest Segments in 2013
 - Religious (-9.0%)
 - Communication (-7.0%)
 - Public Safety (-5.0%)
 - Educational (-4.0%)

Year	%
2012	9
2013	7
2014	7



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Long-term Market Opportunities

Market

- Power
- Energy
- Water
- Environmental
- Telecommunications
- Health care
- Residential
- Transportation
- DOD/Public Safety
- Education

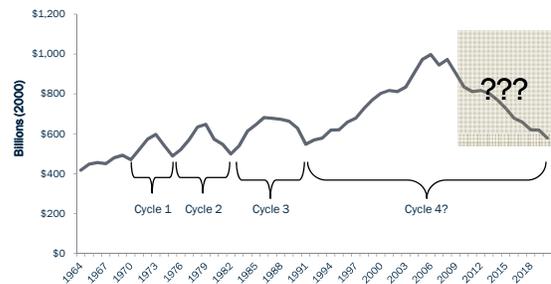
Driver

- ▶ Demographics/environmental/infrastructure
- ▶ Politics/environment/economic growth
- ▶ Demographics/infrastructure/environment
- ▶ Politics/environment
- ▶ Technology/consumer demand
- ▶ Demographics/consumer demand/politics
- ▶ Demographics/economic growth
- ▶ Infrastructure/demographics
- ▶ Security/politics
- ▶ Demographics/infrastructure



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If This Is The New Normal, How Must Your Firm Adapt?



Note: This is not a forecast and is for illustrative purposes only.

Market Realities – Five Facts

- There are always contractors making money.
- Companies trend independent of the market.
- Following the crowd is a GREAT way to lose money.
- You are perfectly configured to get the results you are currently getting.
- Front-end - creative innovation mandated!



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Aggressive Competition

- “Strong” demand sectors are now everybody’s “expertise”
- **Real** jobs analogous to “shark-infested” waters
- **BIG BOYS** playing at all levels...they bring different solutions to owners and designers
- Competition double to triple for YOUR targeted customers and jobs
- Competition MAY be willing to “work for wages”
- What can you do?



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Drastic Times Demand Drastic Measures!

- What does the concept of “collective” or “total” organizational Business Development mean to you?
 - Markets responding favorably to **“Doer – Sellers”!**
- Is this a recognizable “shift” in how you currently perceive what happens with your BD efforts?
- Drastic measures mean **CHANGING** how you and your organizational resources currently spend their time!
 - **Meaningful** customer contact ... **in between** jobs!



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Yesterday's Market Dynamics

of Projects (real) in your pipeline



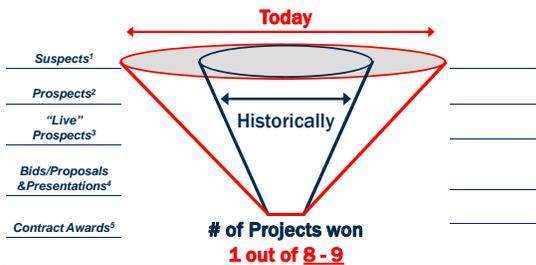
1 Everybody who has bought or could buy construction services in a given market
 2 Potential buyers of your services who meet customer criteria
 3 Project chase or customer development
 4 Ask for the same
 5 Secure the contract



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Today's Market Challenge

of Projects (real) in your pipeline



1 Everybody who has bought or could buy construction services in a given market
 2 Potential buyers of your services who meet customer criteria
 3 Project chase or customer development
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 5 Secure the contract

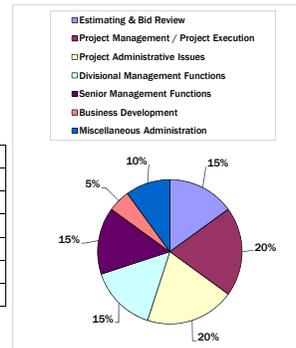


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Current Time Expenditures

Example of Work Activity Pie Chart

CURRENT WORK ACTIVITY PIE CHART	Percent
Estimating & Bid Review	15%
Project Mgmt / Project Execution	20%
Project Administrative Issues	20%
Divisional Management Functions	15%
Senior Management Functions	15%
Business Development	5%
Miscellaneous Administration	10%
	100%



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Current Time Expenditures

Fill in your Work Activity Pie Chart below.

CURRENT WORK ACTIVITY PIE CHART	Percent
Estimating & Bid Review	
Project Mgmt / Project Execution	
Project Administrative Issues	
Divisional Management Functions	
Senior Management Functions	
Business Development	
Miscellaneous Administration	
	100%

- Estimating & Bid Review
- Project Management / Project Execution
- Project Administrative Issues
- Divisional Management Functions
- Senior Management Functions
- Business Development
- Miscellaneous Administration



FMI 13

Estimating for Advantage

ESTIMATING IS A CORE DISCIPLINE IN THE HARD BID WORLD

FMI 14

Estimating remains a critical discipline

- Growth in bid work (even by previously negotiated clients) seeking to buy construction “on sale”
- Government procurement practices
- Cutting margin is not a bidding strategy
- Evaluate your estimating function to drive out inefficiency and enhance performance
 - “Check under the hood”

FMI 15

5-S Model of Best-In-Class Estimating Function



FMI 16

Great Firms Align Their Estimating Function with Their Overall Strategy...



- Clearly define marketing message – internally and externally.
- Stay on message!
- Structured project selection process.
 - The “outlier dilemma”
- Specific “project-win strategies” for key opportunities.
- Move only into adjacent market niches.
- Incorporate field input into estimates.



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Project Selection Criteria

- Does it fit us?
- Client evaluation (prior experience), financial strength and repeat work?
- Size, start date and schedule
- Profit potential
- Staffing and other resources
- Evaluate competition
- Chance of success
- How can we differentiate?



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Sample Project Selection Criteria

FORM #2

ESTIMATOR PERFORMANCE & PRODUCTIVITY PROJECT
Criteria for bid selection

Project Name: _____

Estimator	1 to 5 Rating	Score	Criteria	Comments
4	2	8	1 Attractiveness	Estimate: Good/Good; Conditions: Good/Good; Bid/Good
4	1	4	a Job Size	Est. for us: Good to Comp = 1; Good to us: No; Comp = 5
4	1	4	b Job Location	No competition available = 1; High quality and competitive = 5
4	2	8	c Risk Control	Compatible with the risk = 1; Compatible with Risk = 5
4	1	4	d Good bid outside the center	Score = 1; Comp = 5
4	2	8	e Out working	Workers = 1; New Work = 5
2	2	4	2 Competitiveness	Form: Competitive/Good/Good = 1; Terms: Bid (not approved) = 5
3	2	6	a Competition/Quality	1 = 5; 2 = 3; 3 = 2; 4 = 3; 5 = 4; 6 = 5
3	1	3	b Number of bidders, non-union competition and subcontractors	No Estimator Available = 1; Experienced Est. Available = 5
3	1	3	c Estimator experience and availability for this job	
7	2	14	3 Capacity Constrained	If > Bid a 'Capacity Constrained' Job
10	10	10	4 Miscellaneous	
NA	1	NA	a Customer requests/us	Public Bid = 1; Private Job = 3; Good Customer (reoccurring) = 5
NA	1	NA	b Request process (positive or negative, submit with bid)	Not good for us = 1; Good for us = 5
NA	1	NA	c Prohibit labor agreements	Not good for us = 1; Good for us = 5
NA	1	NA	d Client or other business/industry/sector/brand	Not good for us = 1; Good for us = 5
NA	1	NA	e Suppliers in certain areas leaving us out	Yes = 1; No = 5
0	0	0		
28	0	28	Total Score	

We probably should not bid the job if total score is less than 60%
A low score for 1a, 1d, 1f, 2a, and 2b could indicate a 'no bid' regardless of total score



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Bid-Day Procedures

- Plan ahead, have a solid process
- Ensure you and the GC agree on what your scope is **BEFORE** the number is given
 - Perhaps provide advance scoping sheet for them to use for apples to apples comparisons
- Know which other subcontractors are bidding
- Clarify phone, fax or e-mail
- Know which estimators at which GC are handling your division
- Stay cool



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Bid-Win Strategies

- Subcontractor / General Contractor alliances
- Reduced mobilizations
- Alternative procurement
- Strategic scheduling
- Creative financing / discounts



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Know Your Cost Drivers...

- Field labor productivity – average of 33% of time wasted (recoverable lost time)
- Materials usage – 37% of all construction material wasted
- Six most expensive words in construction – “Put that over there for now”
 - Average piece of material moved four times after initial delivery
- Equipment utilization – Own/lease decision making
- Closeout – what does one month of general conditions cost? One week? What are the added BD costs of sloppy closeout?



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Great Firms Have Skilled Estimators Working In a Collaborative Structure...



- Structure department for easy team function
- Business acumen, negotiating and selling skills
- Technical expertise and specialization
- Compensate/incentivize estimators on performance
- Manager who can motivate, lead and develop the team
- No logistical barriers or silos



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“Bid-Work” vs. “Win-Work” Estimators

“Bid-Work” Mindset	“Win-Work” Mindset
Measure success by number of bids submitted	Measure success by profitable work awarded
“That firm must be bidding below its cost”	“Let’s figure out how that firm is bidding below our cost”
Expect to lose some (or many) bids – “can’t win them all”	Expect to win nearly every bid
Move on to the next bid when we’re not low at bid opening	Try to figure out why we’re not low, since we expect to be
Bid everything that comes our way – shotgun approach	Bid with a strategy to win – laser-focused approach
GC communications not leveraged – “fire and forget”	Key contractors targeted and involved throughout the process



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Role of Chief / Lead Estimator

- Leadership and management of department
- Motivation, training, creating depth in the company, and teaching people to think
- People and systems development
- Defining Knowledge, Skills and Abilities by position (KSA)
- Use expertise to help others with last 15% of bid
- Review plans with key managers
- Teach estimating expertise throughout the company
- Mentor young people—build junior and senior teams



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Training

- Match senior and junior people
- Document your methods (Estimating for Dummies)
- Train to your methods (create opportunities)
- Use bid reviews as training scenario
- Contractor and vendor training sessions
- Company university—create and teach classes
- Prepare for presentations
- Estimating department meeting—lessons learned
- Job-site field visits
- Technology and software



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Great Firms Standardize Estimating Processes to Build Consistency...

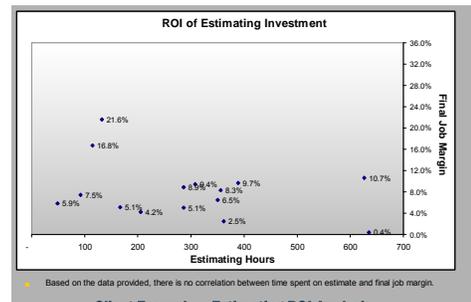


- Drive wasted time out of the work flow
- Detailed take-offs for all scopes
- Maintain a detailed cost-history database
- Post-bid analysis to capture lessons learned
- Clearly define mark-up strategy based on:
 - Risk
 - Number of bidders
 - Type of work, etc.
- Research competition to find an edge



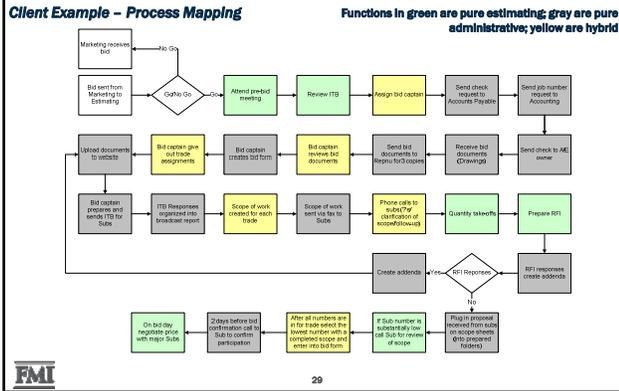
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Usually No Correlation Between Estimating Time and Profitability

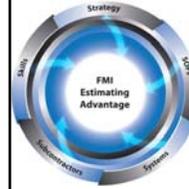


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Eliminate Non-Value Adding Tasks



Great Firms Leverage Technology Resources to Enhance Estimating



- Effectively and consistently use available technology
- Consistent set of forms and spreadsheets
- Understand which functions need to integrate with estimating
 - Use technology to ease integration

Software - Typical Issues

- Estimating - integrated with accounting or project management?
- Takeoff: Digitizers? On-screen? By hand?
- Preferred bid-day tool - spreadsheets? Estimating software?
- Missing link - job-cost results feed estimating data
- Conceptual databases
- Time investment to get new software implemented
- Most contractors overbuy, don't properly implement, and don't get the use out of the software

Great Firms Use Vendor Relationships as a Source of Advantage...



- Use scope review to reduce cost and identify margin-gain opportunities
- Rank vendors based on:
 - Price
 - Field coordination
 - Responsiveness, etc.
- Consistently upgrade vendor corps
- Vendor outreach program to ID/add new partners
- Rank your GCs too - and consider "firing" bad customers!

Customer “Fire-able Offenses”

- Bid shopping / looseness with your numbers
- Post-bid “negotiation”
- Payment shenanigans
- Excessive / unjust backcharges
- Abusive / rude behavior
- General “jerkiness”



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