



# PROFESSIONALIZING PRECONSTRUCTION SERVICES: THE NUMBER-ONE DIFFERENTIATOR FOR GENERAL CONTRACTORS

BY LUKE MATELAN AND TYLER PARÉ

**Collaborative delivery methods such as construction manager-at-risk (CMAR), construction manager general contractor (CMGC), progressive design build (PDB) and integrated project delivery (IPD) are mainstream in today's markets and continue to grow in popularity.**

These methods require substantial preconstruction efforts from contractor partners, and preconstruction capabilities are commonly a key factor in qualifications-based contractor selection processes.

As more market share trends toward collaborative delivery methods, sophisticated preconstruction services are becoming the foremost differentiator for general contractors and construction managers. Firms with strong preconstruction functions are positioned to win a greater share of the work and execute it more profitably than peers.

No function in the general contractor business model has a greater impact on client satisfaction and contractors' commercial success than preconstruction. Done well, it allows owners to make timely and informed decisions to maximize value, achieve building objectives and mitigate delivery risk.

For contractors, most of a project's commercial success or failure is determined by decisions made during the preconstruction process. Preconstruction provides all stakeholders the opportunity to agree from the beginning on risk and reward sharing that can benefit everyone involved in the project.

While preconstruction services can add tremendous value for clients and contractors alike, contractors are often frustrated by:

- Expanding, unrecoverable overhead associated with preconstruction activities.
- Overburdened, frustrated and burnt-out preconstruction departments and personnel.
- Lack of fees or reimbursement for preconstruction services.
- Scopes of preconstruction services that keep changing and expanding.
- Inefficient collaboration on project design, scope, budgeting and scheduling.

These challenges are symptoms of underdeveloped infrastructure that hinders contractors' ability to deliver best-in-class preconstruction services. Contractors that enhance their preconstruction capabilities are able to mitigate these issues and differentiate themselves from the competition.



## THE VALUE OF PROFESSIONALIZED PRECONSTRUCTION SERVICES

To stay ahead of the competition, progressive firms are making strategic investments in their preconstruction functions. These include:

- Clarify the preconstruction delivery process and owner expectations.
- Establish preconstruction team (owner, designer, contractor) leadership with proactive oversight and stakeholder accountability.
- Implement controls (schedule, budget, tracking logs, etc.) for managing preconstruction, with similar discipline and intensity as seen in the construction phase.
- Increase the quality of preconstruction deliverables at each design milestone.
- Standardize, scale and brand preconstruction services.
- Bring transparency to efforts, hours and true costs associated with preconstruction services.
- Clarify design and value analysis.
- Emphasize savings, high-value solutions and comprehensive risk mitigation.
- Enhance the overall client experience.

Professionalized preconstruction is a comprehensive and collaborative team-building process, initiated at project conception and executed throughout the life of the project. It includes everything after business development (BD) and before formal turnover to the operations team, with strategic integration upstream into BD activities and downstream into project delivery.

The main objectives of the preconstruction function are to ensure:

- The client’s/owner’s building objectives are met.
- Complete client alignment, which improves client experience and satisfaction.
- The client understands the costs, schedule and scope of the project, thereby instilling confidence.
- Delivery risks are identified, mitigated or eliminated.
- Coordination hassles are minimized throughout the lifecycle of the project.

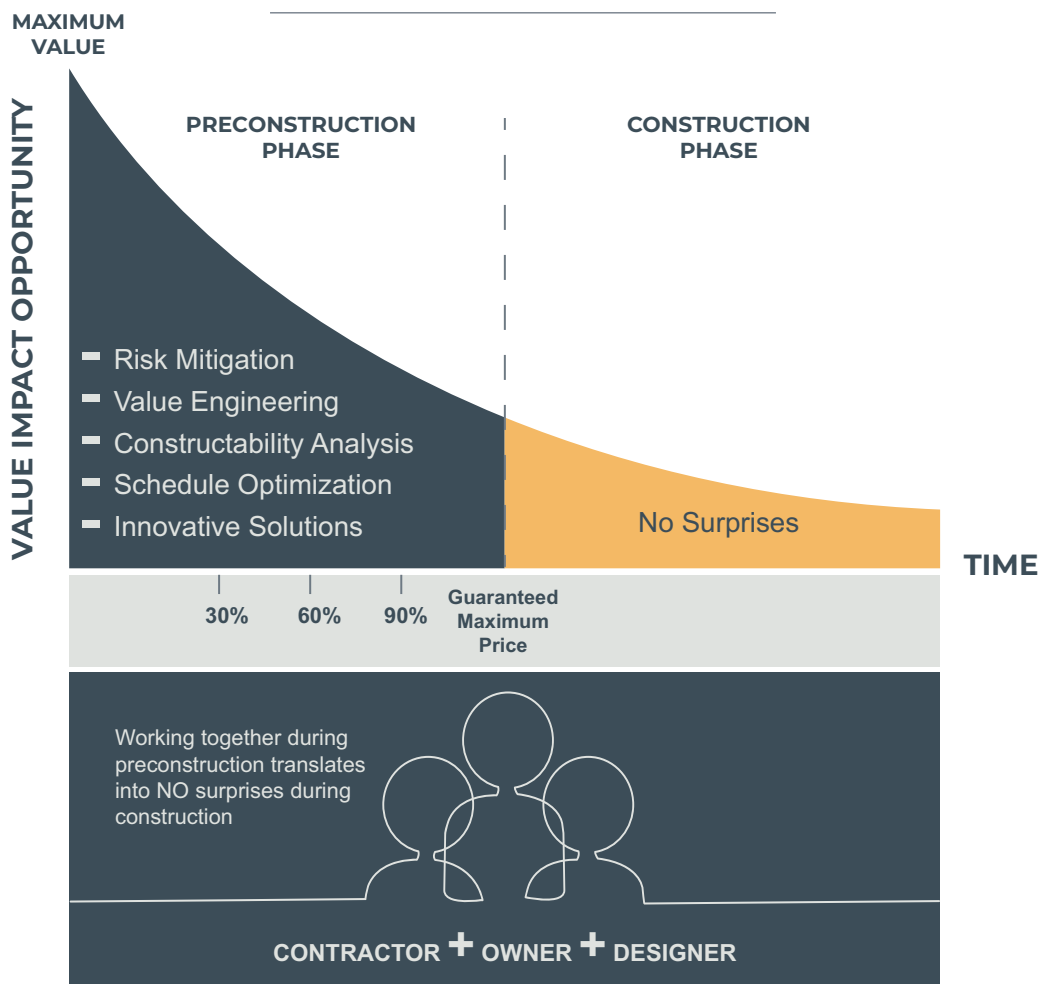
Ultimately, a professionalized preconstruction services function optimizes the efficiency of

preconstruction activities and the quality of owner experience and outcomes.

Preconstruction is all about the owner, designer and contractor working as a team, with a focus on maximizing value through design and constructability analysis. By expanding value throughout the process, particularly at key design milestones (30%, 60%, 90%), companies can create a collaborative, open environment that leads to a guaranteed maximum price (GMP) that all parties buy into.

Keep in mind that as a design progresses toward a GMP, the window of value generation begins to close rapidly. This is why it’s paramount to ensure team members are collaborating at the onset and throughout the design process by virtually building the project together to optimize value creation, risk mitigation and outcome certainty.

**Figure 1: Preconstruction Value Impact Curve**





# POSITIONED TO TAKE THE LEAD

Many contractors view preconstruction as a necessary evil or a cost of doing business. These organizations tend to take a passive approach to preconstruction, often allowing the design entity to shape and lead the process. However, contractors are uniquely positioned to lead the preconstruction process because:

- **Owners aren't interested in assuming risk or are unable to lead the process.** This is why they hired design and building experts as their project delivery partners.
- **Architects and/or engineers are experts when it comes to design.** While highly skilled and capable in their areas of expertise, these individuals typically lack the urgency or incentives to drive the design process forward commensurate with the owner's explicit or implied commercial expectations.
- **Contractors have the experience, knowledge and discipline to drive the best outcomes for the client.** Contractors are experts in how projects should be built. They're also equipped to adhere to budgets, schedules and project controls. These same skills and tools can be applied to management and oversight of the design and preconstruction processes.
- **Without contractor leadership, a vacuum often results in subpar outcomes.** With no definitive leader, each of the parties (architect, engineering, owner and contractor) tend to operate independently, with episodic instead of perpetual collaboration, resulting in wasted time and energy and poor outcomes.



# KEYS TO PRECONSTRUCTION SUCCESS

To successfully manage and deliver quality preconstruction services, contractors should emphasize:

- **Adopting a proactive strategy.** Ask yourself: Do we philosophically agree that we should lead the preconstruction process? Would our clients be receptive to us taking on a bigger role? Would we be more efficient in the long run if we led the process? What are the consequences of not leading?
- **Clarifying leadership, structure, roles and responsibilities.** Ask yourself: Are we structured in a way that will enable us to deliver world-class preconstruction services? Do we have the right people in the right preconstruction roles? Are we distinguishing between estimating and preconstruction activities? Are we using our time wisely?
- **Developing a documented methodology for delivering services.** Ask yourself: Have we created a playbook for preconstruction services? Is it one we could put in front of a client to demonstrate our comprehensive services, differentiate ourselves from competitors and

justify our costs? Can we use it to onboard and train newcomers to the organization and increase our efficiency overall?

- **Establishing controls.** Ask yourself: Do we know when we're ahead or behind schedule in the preconstruction process? Ahead or behind budget? Do we manage this information in a way that allows us to share it with a client, in the process increasing transparency and trust? Do we have a sophisticated management system that lets us coordinate all information related to preconstruction services (at the same level that we would have for managing a live construction project)?
- **Obtaining and integrating operational input.** Ask yourself: Do we have a formal approach to engaging our operational experts in the preconstruction process? Do we consider and budget for operational time allocated to preconstruction activities? Do our operational experts prioritize preconstruction activities (versus management of active projects)?
- **Soliciting stakeholder input and fostering collaboration.** Ask yourself: How do we ensure we're getting critical input from key trade partners early and often in the preconstruction process? What mechanism or technologies have we established to facilitate this collaboration? Are we willing and able to influence (e.g.,

recommend or require) the selection of key trade partners that will participate in the preconstruction process?

- **Implementing mechanisms to keep the project team accountable.** Ask yourself: Do the owner, designer and contractor each know what to expect from one another in the preconstruction process? Is it written down? What happens if a party breaks one or more commitments? Do we address accountability issues with our partners, or do we just move on and try again next month at the next design review meeting? How are we managing owner decisions (and indecision)? How are we managing the quality of design deliverables?
- **Getting paid.** Ask yourself: Do we expect payment for preconstruction services? Do we have professional, branded marketing materials to help our clients buy our preconstruction services? Are we able to clearly showcase the value associated with our preconstruction services to the owner? Can we demonstrate the costs involved in comprehensive preconstruction services? Would embracing some or all of these management practices give us differentiated value in the minds of our clients, therefore increasing their willingness to pay for preconstruction services?



# DON'T SLEEP ON TECHNICAL AND TECHNOLOGICAL EXPERTISE

In addition to embracing the *managerial* best practices outlined above, it is crucial that contractors demonstrate the technical and technological expertise – e.g., in design modeling, constructability analysis, cost estimating and scheduling—required to deliver high-quality and efficient preconstruction services to their clients. By adopting technology such as design modeling software, collaborative estimating platforms, augmented and virtual reality, and cost-schedule-design, contractors can continually enhance the value delivered to clients.

Embracing these cutting-edge preconstruction technologies can also improve collaboration across stakeholders and increase efficiency of labor-intensive preconstruction activities.

Technology can help strengthen a firm's preconstruction capabilities, but technology without sound processes, technical expertise and good management practices, will yield suboptimal results.

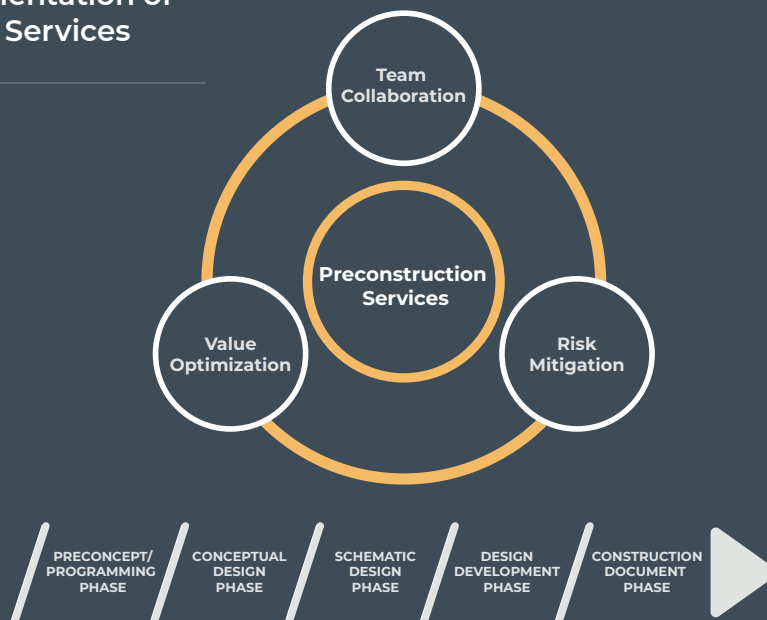
# GETTING STARTED

With collaborative delivery now mainstream in construction, owners have high expectations when it comes to how contractors approach preconstruction. Contractors that professionalize their preconstruction services by implementing and adhering to the best practices and considerations discussed above position themselves ahead of their competition and are in a better position to execute in these collaborative environments.

Contractors that do not adapt their business models to embrace collaborative construction risk losing opportunities; frustrating clients, partners and personnel; increasing overhead and putting projects at greater risk during execution.

Transforming your preconstruction function into a value driver and competitive advantage requires an intentional, strategic commitment of time, energy and effort. As you reflect on the state of your preconstruction function and think about further professionalizing your approach, we're happy to have a conversation with you about your goals and opportunities.

**Figure 2: Implementation of Preconstruction Services**



# AUTHORS



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