



# THE PROJECT MANAGEMENT STANDARD

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## In This Issue

Message from the Chair..... 1-2

Q&A Corner..... 2

Article: *The eXtreme Beatles: Seven Steps to Self-Mastery*..... 3-4

Article: *10 Ways PM Skills Can Help Your Career*..... 5-6

Article: *Enabling Project Control*..... 7-10

DPC SIG Members Worldwide..... 10

Article: *Building Your Team With the Contractor RFP for Negotiated Project Delivery*..... 11-15

ASCE to Offer Project Management Courses..... 16

Calendar of Events...17

Board of Directors... 17

## MESSAGE FROM THE CHAIR

by Robert (Robb) Gries, P.E., CCM, PMP, Chair

### Removing Barriers to Progress

The Oxford Dictionary defines a barrier as “an obstacle that prevents movement or access; an obstacle to communication or progress.” In our industry, as well as many others, there are many types of barriers—language, culture, region, race, gender, age, religion, nationality, regulations, bureaucracy, etc.—all of which prevent us from being as efficient as we could be. The objective is to identify how they impede our progress and effectively remove them. In fact, the first bullet in the DPC SIG mission statement is “Breaking down barriers that fragment the profession.” The DPC SIG Leadership Team is committed to removing barriers, and I would like to highlight a few examples of our efforts.

For the past few years, one of our DPC Leaders, Chris Quaife, has been working diligently on several projects to improving the management of building projects. As the chair of the British Columbia Building Projects Committee, Chris led a team of industry professionals, associations, and regulators in developing the *Management of Building Projects* manual. This manual addresses the project lifecycle (i.e., from initiation to close-out) and how the members of the project team need to interact and collaborate to make a project successful. Additionally, the manual emphasizes how the decisions in one phase affect the following phases. The DPC SIG has been one of the sponsors of this effort, and we highly recommend it to our members. (DPC SIG members receive a discount on the *Management of Building Projects* manual.) Chris and his team are now working on another manual *Starting Building Projects*, which is currently going through a peer review process. From what I have read thus far, this manual will be an excellent addition to every project manager’s library.

Continued on page 2

## MESSAGE FROM THE CHAIR *CONTINUED*

Another example of breaking down barriers is to collaborate with other associations on projects of joint interest. In my last Message, I mentioned about our efforts with the Construction Management Association of America (CMAA) and the Asociación Española de Dirección Integrada de Proyecto (AEDIP). I believe it is important and vital to work with other associations, because not only does this allow participants build new relationships, but I firmly believe that it also helps one to see issues from a different perspective—both at the organization and individual level. Moreover, this helps that individual participants develop a key skill in the ability to “reframe” issues, thus enabling them to solve problems more effectively. Thanks to our Vice Chair Membership, Judy Wilks, the DPC SIG is working with our colleagues in the Women in Project Management (WiPM) SIG and the National Association of Women in Construction (NAWIC) to identify and eliminate the barriers for women in the construction industry. To date, we have just had some preliminary discussions with WiPM and NAWIC, but I am looking forward to giving you updates in my future Message column.

Lastly, we want to breakdown barriers by helping the PM practitioner solve problems at their level. Thanks to our Vice Chair Marketing, Ondiappan Arivazhagan (Ari), who has created a Subject Matter Expert (SME) panel to answer questions from our members. I had an opportunity to see the Standard Operating Procedure (SOP) a week ago, and I am very excited that Ari has initiated this valuable program for our members. I also want to express my sincere thanks and appreciation to the members who have volunteered to serve as SMEs.

Everyone has a responsibility and obligation to break down the barriers, and I would like to invite you to join the Team to identify additional ones that plague our industry. This is a tough challenge, but with your help, I am confident that, if we work together, we will create a more transparent, efficient, and cost-effective industry.

## HAVE A PM QUESTION?

**WE JUST MAY  
HAVE THE  
ANSWER!**



The DPC SIG has enlisted the support of Subject Matter Experts from around the world to address your project management-related questions. Questions and answers will appear in upcoming issues of the DPC SIG newsletter and monthly bulletin.

### Submit Your Question

email your question to [VCMarketing@dpcsig.org](mailto:VCMarketing@dpcsig.org). Be sure to include your name and contact information in the email.

## MEMBERSHIP DUES TO INCREASE IN 2008

**DPC SIG membership dues will increase to \$20.00/year effective 1 January 2008.**

# THE EXTREME BEATLES: SEVEN STEPS TO SELF-MASTERY

by Jerry Manas, PMP, President, The Marengo Group

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**Jerry Manas** is the author of *Napoleon on Project Management* (Nelson Business, April 2006) and President of *The Marengo Group*, specializing in training and consulting for principle-based project management and leadership. He is also co-founder of *PMThink!* ([www.pmthink.com](http://www.pmthink.com)), a popular project management blog site. Visit his website at [www.manasbooks.com](http://www.manasbooks.com).

As any project manager can attest to, leading a team of people to achieve objectives in the midst of uncertainty and conflict can be a stressful endeavor. This is especially true of projects being led under extreme conditions. To avoid burnout and poor decisions, it is vital to remain above the chaos. To put it another way, in order to lead others you must first learn to lead yourself. One of the things I particularly liked about Doug DeCarlo's book, *eXtreme Project Management*, is its recognition of this, and thus its focus on self-mastery as a core component of managing extreme projects.

Like anything in life, if we want to learn something, it is wise to examine others who have done it well—and self-mastery is no exception. Over the years, I have made a habit of studying excellence, regardless of the field of endeavor. There's something about unique, extraordinary human achievement that I find fascinating. It's what attracted me to write a book about project management lessons from Napoleon. It's what led me to explore lessons from Albert Einstein on my blog site. And it's what now leads me to examine the elements of self-mastery that made The Beatles so uniquely successful.

Like them or not, nobody can argue that The Beatles didn't achieve unsurpassed accomplishments during a period of what must have been total chaos for them. They were the first pop artists to record in stereo. They were the first band to

experiment in the studio. They were the first band to list lyrics on their album. They generated more #1 albums and singles in their brief five-year career than most artists' total repertoire of songs in a career five times that long. That's not including their four movies and 1,400 live appearances. The list goes on and on.

**Here are seven lessons in self-mastery that we can extract from their unprecedented success.**

## 1) Focus on Your Strengths

The Beatles found their calling and focused on their strengths, doing what they do best. This began as performing, evolved to writing their own songs, and ultimately led to experimenting in the studio. At each stage, they challenged themselves to go the next level. Marcus Buckingham said in *The One Thing You Need to Know* that the secret to success is to "discover what you don't like doing and stop doing it." The Beatles knew what they did well and stuck with it. Then they took it to the next level.

## 2) Embrace Conflict

Organizations are always looking for ways to avoid conflict. Yet the greatest ideas are spawned from conflict, assuming it's channeled correctly. The Beatles readily embraced creative conflict and friendly competition. In fact, it was precisely the conflict and competition between John Lennon and Paul McCartney that made each of them strive for new heights—and led to creative solutions to songwriting problems. Great leaders know, as did The Beatles, that conflict breeds creativity. We need to embrace conflict, not avoid it.

*Continued on page 4*

# THE EXTREME BEATLES CONTINUED

## 3) Expand Your Horizons

Never satisfied with the status quo, The Beatles continuously sought self-growth, learning new philosophies, new chords and instruments, and anything else they could do to break new ground. This helped them grow as artists and human beings, and further distanced them from the competition. When they released *Sergeant Pepper*, they celebrated a major new direction by adopting a “faux” name (Sergeant Pepper’s Lonely Hearts Club Band) and mocking their old image with the theme of a funeral on the album cover, in essence burying the old Beatles.

## 4) Use Your Whole Brain

The Beatles used both the left and right sides of their brain—using the right side when free-flowing creativity and innovation were needed, and the left side when the proper structure was important or when they needed to fine-tune a song. As leaders, we need to know when to engage creative right-brain thinking and “go with our gut” versus using the more logical left side to temper our thoughts.

## 5) Aim for the Skies

The Beatles thought big. Even in the early days before they were famous, they used to say “To the toppermost of the poppermost!” and they believed it! This is not unlike Napoleon Hill’s principles in *Think and Grow Rich*, where he articulates Andrew Carnegie’s secret of having a lofty goal and continually reinforcing the belief that you will reach that goal. The Beatles aimed high and got there, in no small part because they believed they would get there. They believed in themselves and they believed in each other, with excellence as their driving principle. As John Lennon stated in an interview, they treated each deliverable (i.e. song) as *the* hit, which is why their “B-sides” did better than most people’s A-sides. We too must aim for the skies, and envision ourselves as the best. Not *one* of the best, but *the* best.

## 6) Stand for Something

There’s an old saying, “If you don’t stand for something, you’ll fall for anything.” The Beatles stuck by principle themes, such as love, peace, and the search for truth. In the band and in their solo careers, they always had a related supporting cause that they were passionate about, whether vegetarianism, eastern philosophy, land mines, or some other passion. As leaders and as human beings, when dealing with leadership principles and professional ethics, we need to ask ourselves, “What do we stand for?”

## 7) Be Authentic

It’s fine to emulate someone you admire. Even The Beatles didn’t begin in a vacuum. They studied their idols, such as Chuck Berry, Carl Perkins, Fats Domino, and others. But it’s equally important to recognize your strengths, limitations, and what makes you unique—and then build on *that* foundation, just as The Beatles did. Although they had influences, The Beatles were authentic to who they were—British lads from Liverpool. They wrote colorful lyrics about places like Penny Lane and Strawberry Fields, and sung about popular British TV shows like “Meet the Wife” (e.g. “It’s time for tea and Meet the Wife” from the song, *Good Morning*). They could write and sing about these things because it’s who they were, not because they were trying to be cute or clever. It’s important to be true to who you are, not who you’d rather be.

# 10 WAYS PROJECT MANAGEMENT SKILLS CAN HELP YOUR CAREER

Michelle LaBrosse, PMP, Chief Cheetah, Cheetah Learning



**Cheetah Learning** Michelle LaBrosse, PMP, is the founder of Cheetah Learning, and author of *Cheetah Negotiation* and *Cheetah Project Management*. PMI selected Michelle as one of the 25 Most Influential Women in Project Management in the world, and only one of two women selected from the training and education industry.

In today's digital world, what employers are looking for may surprise you. They assume you're going to be technologically literate and that you have the skills that are specific to your industry. Once you have the basics, they want to know that you can perform, achieve results and play well with others.

According to the National Association of Colleges and Employers Job Outlook 2007 survey, employers rated communication skills, and honesty and integrity equally at the top of their list of what they look for in potential employees. Following closely behind communication, and honesty and integrity were: interpersonal skills, motivation/initiative, strong work ethic and teamwork skills.

What struck me as I read those skills was that all of them are inherent in Project Management, and it emphasized what I've believed for years: Project Management is a career accelerator.

Here's how you can use Project Management to put your career in high gear:

## Show Results

Project Management is the art and science of getting things done. When you improve your Project Management skills, you know how to get things done quickly, and even more important, you learn how to document the results. In our careers, we are often as good as our last hit. You can't be a one-hit wonder. Instead, you want to keep charting, year after year, with success after success.

## Be Efficient

When you apply Project Management principles to your work or your home life, you stop reinventing the wheel. Project Management teaches you how to make the most efficient use of resources to generate the best results in the least amount of time. At the end of every project, you capture best practices and lessons learned, creating an invaluable documentation of hits and misses. Sound too good to be true? Good project managers do this on every project, and you can, too.

## Create An Ongoing Dialogue

One mistake I see a lot in Project Management and on teams is the assumption that there's one meeting and everyone goes away, and then the communication ends, and somehow everything is still going to magically get done. Your communication skills are not about your vocabulary. They are about how you manage your communication. Are you communicating frequently enough and with clarity? Are you communicating what is relevant? Are you communicating your successes?

*Continued on page 6*

# 10 PROJECT MANAGEMENT SKILLS CONTINUED

## Play Well With Others

People hear the word teamwork, and they groan or they say that they are, of course, a team player. That's why I like to bring it back to the kindergarten place in our mind: Back to the sandbox. Do you play well with others? Do other people want to be on your project team? Are you respected? Do you listen actively to what others have to say? Good project managers know when to lead and when to get out of the way. When someone is interviewing you, you know what that person is thinking: Can I work with him? Will my team work well with her?

## Let Your Confidence Shine

When someone shows confidence, everyone in the room feels it, too. One thing I consistently hear from our students is that the biggest payoff from their Project Management training or PMP® certification is the confidence that they gained. They went back to their job with a solid Project Management foundation that made them feel more competent and able to project more confidence to their team and their boss.

## Keep Your Commitments

Missed deadlines and projects that slip through the cracks are career killers. Project Management skills focus on timelines and results that build your reputation and give team members a reason to trust you. "I know that I can always count on her to get the job done." That quote can – and should – be about you.

## Get A Grip

Good project managers don't have to freak out. They can remain calm and in control because they have a Project Agreement which has all the critical information about the project in it. They know when all the deadlines are, who is responsible for what and when, and they've also documented changes. Everyone wants to have someone on the team who can stay calm when a project gets rocky and bring stability to chaos.

## Adapt To Change

Don't ignore change. Companies change. Deadlines change. People come and go. Good project managers know they often have to adapt their plans and document what has changed and how that impacts the entire project.

## Know What You Don't Know

What are your strengths and weaknesses? What skills do you need to move from the status quo to the next level? Once you have a solid foundation of Project Management skills, keep building on that foundation. Don't stagnate. Continuous learning and a thirst for knowledge are always attractive to employers and team members.

## Lead With Purpose And Passion

People will follow those who know what they are doing and who can generate results. Project Management is a powerful leadership tool because it not only shows us how to keep our eye on the prize and the purpose, but it's also about the passion to achieve and succeed. Nothing feels better than accomplishment.

*Remember your best projects?  
Remember your best project teams?  
Hmm, probably the same projects...*

First build your team.  
Then build your project.

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# ENABLING PROJECT CONTROL

by Gary Booker, President, Project Frontier, LLC

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Garry L. Booker's career covers software engineering, project management for missile defense systems testing, development of infrared surveillance aircraft, and corporate leadership. He has a Masters of Science degree (Computer Science) from the University of Kansas, and a Bachelors of Science degree (Computer Science) from the University of Tulsa. He is currently the President of Project Frontier, LLC, an independent R&D and consulting firm in the fields of project management and personal productivity.

The words “control” and “controlling” appear 538 times in the *PMBOK® Guide*<sup>[1]</sup>. That is 1.3 times per page. Clearly, control is an important element of project management. But what do we really mean by the word “control?” In this article, we distinguish between two definitions of the word:

## Command-and-Control

This definition is what usually comes to mind when we hear the word “control.” It is often found in the form of a transitive verb - *to control something or someone*. It is also found in the gerund “controlling” which means imposing restraint of something or enforcing order on someone. It is an Industrial Age management concept, and presumes a disciplinarian/subordinate relationship.

## Control-as-a-Skill

A second sense of the word is less obvious. In the Merriam-Webster on-line dictionary, this sense is defined as “skill in the use of a tool, instrument, technique, or artistic medium.” His definition is less command-oriented and more results-oriented, as when we say someone is “in control.” An example of this sense is the following sentence: “Despite the icy conditions, the young skier demonstrated remarkable control.” Control-as-askill is a Knowledge Age management concept. The first definition is easy to grasp. You announce a new policy, and then enforce it through a system of incentives and consequences, which is sometimes called carrot-and-stick motivation. It doesn't require a great deal of management imagination. It can be accomplished with speed and force.

The second definition requires much more management imagination and determination. Speed and force are not necessarily assets. The operative word in the definition is “skill.” Control-as-a-skill is something to be learned. It can be learned by individuals, groups, project teams, and entire organizations. In fact, when a whole organization learns control-as-a-skill, it is synonymous with a phrase described by Jim Collins in his best-selling book *Good to Great*. He calls it “a culture of discipline.”<sup>[2]</sup> In this article, we discuss the control-as-askill and how we, as managers, have practical tools at our disposal to enable it and learn it.

## A Practical Test

Now that we know the word “control” is ambiguous, we always need to make a conscious effort to determine which sense is intended and understood. Here is a practical test: when you see or hear the word control (e.g. project planning and control) replace the word “control” with the gerund “controlling” (e.g. project planning and controlling) or the verb form (e.g. to plan projects and to control projects). If the modified wording means the same as the original wording, then it is likely the original meaning refers to command-and-control. Then, try replacing the word “control” with the word “coordination” (e.g. Project Planning and Coordination), “enabling” (e.g. Project Planning & Enabling), or “mastery” (e.g. Project Planning and Mastery.) If the modified wording means the same as the original wording, then it is likely the original meaning refers to control-as-askill.

## The Link between Trust and Co-location

One of the key differences between command-and-control and control-as-a-skill is the frequent exercise of trust. Trust is not something that can be quantified and measured, but that doesn't mean it isn't vitally important. Building trust deserves a great deal of management attention over a long period of time, but can be undermined quickly.

*Continued on page 8*

# ENABLING PROJECT CONTROL *CONTINUED*

The word “trust” appears only three times in the *PMBOK® Guide*. This is certainly not due to a lack of understanding and conviction about the importance of trust in project management, but probably due to a lack of generally recognized practices, which is after all, the stated purpose of the *PMBOK® Guide*. In fact, we should not expect to find processes to build trust in the *PMBOK® Guide*, because creating a culture of trust is a unique competitive advantage, and not the role of an industry standard. In *Good to Great*, Jim Collins writes “By its nature, ‘culture’ is an unwieldy topic to discuss, and less prone to clean frameworks.” However, there are some specific lessons from history that we can study. Clarence “Kelly” Johnson of the famed Advanced Development Projects unit of Lockheed -- more popularly called the Skunk Works -- was one of the earliest management thinkers to write about building trust as a key element of successful projects. The Skunk Works is famous in the field of New Product Development, for building the U-2 and SR-71 aircraft, among other remarkable accomplishments. One enabler of the Skunk Works’ environment of trust was in co-locating the project team within a very secure facility. Because of Cold War security concerns, employees were not allowed to discuss work outside of the Skunk Works facility. What was more important, however, is that when team members were inside the secure facility, there was a very high degree of openness. This created a “safe place” that fed a virtuous circle of knowledge sharing, collaboration and trust, which created more knowledge sharing, more collaboration, and more trust. The Skunk Works co-location strategy has been replicated and practiced for decades, but with varying degrees of success. In practice, the desired advantages of co-location have been rather elusive. This can be demonstrated clearly by the number of people who complain about the increased number of meetings they are forced to attend. There is clearly more to control-as-a-skill than putting people together in one location. Furthermore, in recent years, co-locating project teams has become less of an option. In today’s globally-networked projects, it is common for team members of very successful projects never to

meet face to face. So co-location per se is neither necessary nor sufficient. But there is still something about the advantages of co-located teams that should be studied, understood and replicated in all project teams. What is it? Why is it that some places have a culture of discipline (control-as-a-skill) and others do not? What is the link between trust and co-location? This brings us to an uncommon concept in the field of project management, called the Concept of *Ba*.

## The Concept of *Ba*: Containers of Trust

When researching control-as-a-skill in project management (PM), it is easy to get drawn into the field of knowledge management (KM). Yet direct comparisons of PM and KM are challenging because most textbooks on KM mention PM only in passing, if at all. Likewise, most books on PM mention KM only in passing, if at all. Yet it seems that the enabling processes (i.e. fundamental conditions) for KM and control-as-a-skill PM are virtually identical.

*“What are the fundamental conditions for knowledge creation? Where is knowledge creation located? Is it possible to manage knowledge like other resources?”*

These questions were introduced by Ikujiro Nonaka and Noboru Konno in a 1998 paper called “The Concept of *Ba*.”<sup>[3]</sup> To help answer these questions the authors introduced the Japanese word “*ba*” into the field of KM. *Ba* is roughly equivalent to the English word “place” or “platform.” The concept of *ba* originated with the prominent Japanese philosopher Kitaro Nishida (1879-1945). *Ba* can be thought of as a “shared space for emerging relationships.” This space can be physical (e.g., the Skunk Works model), virtual (e.g., e-mail, instant messaging, or peer-to-peer workspaces), or mental (e.g. shared experiences, ideas, shared frames of reference.) *Ba* can also be any combination of physical, virtual and mental space.

*Continued on page 9*

## ENABLING PROJECT CONTROL *CONTINUED*

In fact, managers should always consider *ba* to be the integration of all three. *Ba* is a foundation for knowledge creation. Information resides in media and networks; knowledge resides in *ba*. If knowledge is separated from *ba*, it turns into information, which can be communicated independently from *ba*. Knowledge can be intangible, but we know that it is very context-sensitive and context is often quite tangible. Therefore, we as managers must pay a great deal of attention to context, and work to improve it. An important notion in Nonaka's original paper is that *ba* has borders of both space and time. The use of knowledge requires concentration of the knowledge resources at a certain space and time. Since projects are by definition temporary efforts (time limited), the *ba* of projects is perishable. Therefore, knowledge that is created in the *ba* of projects is easily lost. Managers need to be proactive in creating the right *ba*. Think of *ba* as the "containers" for developing trust, and these containers require physical presence, virtual presence and shared mental models. A remarkable book co-authored by Nonaka <sup>[4]</sup> that followed his original paper further explains that *ba* is a "network of interactions, determined by the care and trust of participants." Because knowledge enabling emphasizes human relationships and good communication, *ba* can have a positive impact on the speed of knowledge creation. Therefore, it has a direct link to the speed (schedule performance) of a project. Not every organizational context is right for creating knowledge and learning control-as-a-skill. Organizations that do not take care to integrate and optimize the three elements of *ba* may not be optimized for project schedule performance. How do we apply the concept of *ba* (containers of trust) in our project organizations? First, become very conscious of *ba*. Stop thinking of physical space, virtual space and mental models in isolation or something beyond our control as managers; they should be integrated into a coherent whole that is greater than the sum of the parts. For example, don't ask "should my project team be co-located or virtual?" Instead, continually ask how to do both, and together. Second, brainstorm about developing control-as-a-skill within each *ba* container.

One brainstorming technique, as suggested earlier, is to replace the word "control" with synonyms for control-as-a-skill. These synonyms may include: *collaboration, mastery, coordination, trusted context, cultivation, learning, and knowledge creation*. Then, when you discover an idea that is worth exploring, be sure that it is enabled by physical workspaces, virtual workspaces and shared mental models, and that all three mesh together. For example, consider the word "control account" as defined in the *PMBOK® Guide*. Using the synonym list might lead us to consider creating a *ba* container for each control account. Third, learn about the evolving field of KM. There is an important distinction between explicit knowledge and tacit knowledge that is beyond the scope of this article. Explicit knowledge is the type of knowledge that can be digitized and transferred by electronic means. Tacit knowledge is difficult or impractical to write down, and can be shared most effectively by "being there." I believe that command-and-control relies mostly on explicit knowledge, whereas command-as-a-skill relies heavily on tacit knowledge. Search the KM literature for how to develop and transfer tacit knowledge, including Nonaka's published work. Fourth, understand that building trust depends on an essential project management skill that is now truer than ever. It is: *Plan your work and work your plan*. This is true at the organizational level, it is true at the project level, and it is doubly true at the individual level. Planning your work and working your plan must occur at these three levels, at the least. Nonaka's paper uses the Japanese word *basho* to describe a multiple nested levels of *ba*. Each *basho/ba* container must include a current work plan and each *basho/ba* container must contain clear evidence (e.g. a compelling scoreboard) that the plan is being executed. At the individual level, this means you fulfill your personal promises within each *ba* container you are a member of. At the project level, it means having a project plan and measuring accomplishment for each control account (e.g. an earned value scoreboard). It means the individual level and project level are in alignment within the context of the organization's plans, and that the organization also demonstrates that it is accomplishing its overall plan.

*Continued on page 10*

# ENABLING PROJECT CONTROL *CONTINUED*

## Conclusion

When you see, hear or use the word “control” in the field of project management, it is important to recognize that the word is ambiguous. It is also important to determine which definition of the word is intended by the speaker and understood by the listener. In many instances, the word “control” will be the command-and-control definition. Why? First, any project management textbook or standard relies on transferring explicit knowledge, which favors the command-and-control definition. Second, project management has a long history in the Industrial Age, where command-and-control was the dominant form of management. Third, discussing command-as-a-skill is just as unwieldy as the term “culture.” Use the word “control” with caution, because it is ambiguous. But learn control-as-a-skill to create competitive advantage. When you use control-as-a-skill over a long period of time, you will build trust, and a significant competitive advantage.

## References

- [1] Guide to the Project Management Body of Knowledge, Third Edition, Project Management Institute (PMI), 2005.
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## DPC SIG Members Worldwide

**North American Members - 1452**

**EMEA Members – 341**

**Latin American Members - 165**

**Asia Pacific Members - 178**



# BUILDING YOUR TEAM WITH THE CONTRACTOR RFP FOR NEGOTIATED PROJECT DELIVERY

by Rick Fria, President, friaCM

Richard Fria owns and operates The Fria Company (www.friaCM.com), providing project and construction management services on large commercial developments. He is author of "Successful RFPs in Construction" published by McGraw Hill, and conducts seminars and training nationally in the RFP process for negotiated delivery. He may be contacted at rick@friaCM.com.

70 % of project **costs** are controlled by **THE CONTRACTOR**

100% of the **schedule** is controlled by **THE CONTRACTOR**

100% of the **quality** is controlled by **THE CONTRACTOR**

**Choose the Contractor Carefully**

The negotiated approach to construction has increasingly become a favored delivery method. This method provides many benefits to the design/construction process, increasing the opportunity for value-added project delivery, including:

- Assembling a team of qualified professionals to design and build the project consistent with the owner's goals
- Creating a basis for analyzing the cost-benefit elements of critical design decisions early in the design process
- Testing the design for cost prior to expending significant capital on A/E
- Affording the contractor time and access to the team to plan the construction, value engineer, and establish a strong and trusting relationship, thereby reducing the potential for adversarial relationships
- Providing the opportunity for timely schedule feedback for cost-of-carry analysis

- Selecting a contractor on the basis of proven experience, qualified personnel, and lost competitiveness

Construction price typically represents two-thirds of the total project cost, making the selection of a qualified contractor—and basing that selection on clearly defined terms—one of the most important elements of the project.

The RFP provides an opportunity to fully define the project and prescribe the basis for the construction price and schedule at the early stages of design. It can serve as the foundation for the agreement between owner and contractor if carefully planned and managed.

## Why Negotiated?

The triangle represents the key elements of a successful project. It is rarely possible to make revisions to one without impacting one or both of the others.

The triangle represents the key elements of a successful project. It is rarely possible to make revisions to one without impacting one or both of the others.



*Continued on page 12*

# BUILDING YOUR TEAM *CONTINUED*

The goal of the negotiated approach is to balance the elements of the triangle. Cost is determined concurrent with design, assuring that timely decisions about quality and program are analyzed within the context of cost. The architect, owner and contractor work as a team during preconstruction to measure and balance the three elements. Expectations at the start of construction are therefore programmed into the documents and the GMP.

## The Cost of the RFP

Various factors affect the cost of an effective RFP plan including project size, type, locale, experience the manager has with the RFP process, quality/quantity of design documents, and extent of information requested in the RFP.

Assuming the RFP process leads to the selection of a competent, qualified contractor with preconstruction experience, the decision to commit dollars to a well-managed plan will pay off handsomely, and the benefits are likely to be well worth the cost:

- A clear and concise program is developed at the outset and serves as the basis for the design effort, enhancing efficiency in design maturation
- A detailed project definition is produced for use in the financing package
- A defined basis for construction cost is provided as a benchmark against which to measure value-added choices

The figure at the bottom of the page illustrates the cost-benefit relationship between design maturation and contractor participation in a negotiated approach.

The team should discuss the cost-benefit elements of timing the RFP process with design maturation. There is an optimal time to execute the process. Provided the decision is consensus driven and incorporated into the overall design plan, benefits will almost always outweigh costs.

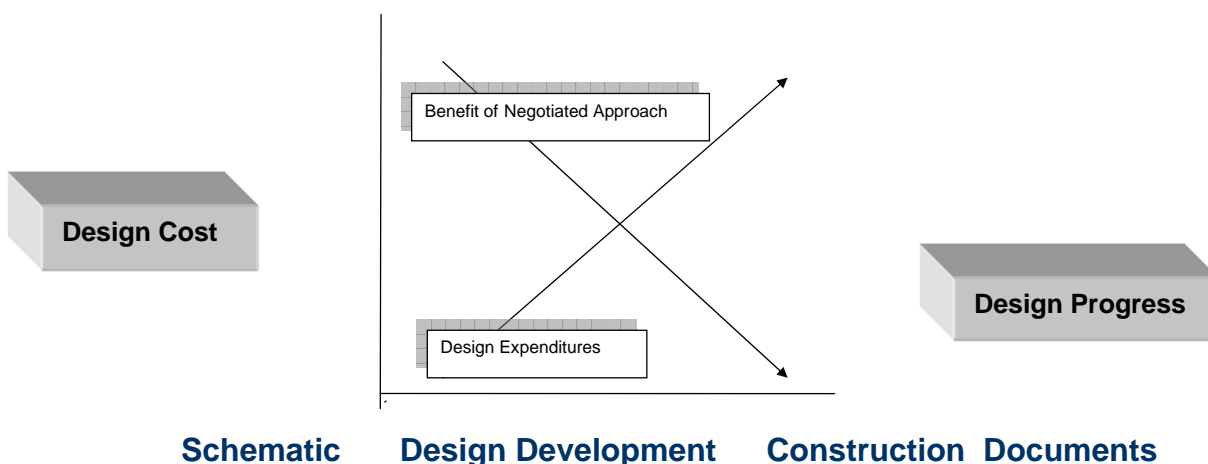
## The Search for RFP Recipients

The goal is to assemble a list of qualified and competent contractors experienced in adding value to the design process. Contractors with experience in preconstruction are essential to a successful negotiated GMP approach.

Architects and engineers have first-hand experience with contractors located within their region. Owners with recent comparable project experience may also assist in your search.

The Associated Builders and Contractors ([www.ABC.org](http://www.ABC.org)) and the Associated General Contractors of America ([www.AGC.org](http://www.AGC.org)) maintain a computerized database on their member contractors. Both offer referral services.

*Continued on page 13*



## BUILDING YOUR TEAM *CONTINUED*

In refining the list of qualified contractors, it is useful to request Form AIA A305™, *Contractor's Qualification Statement* which covers company history, licensing, general experience, annual volume, references and bonding limits/capacity.

Keep in mind that each contractor's capability and workload are of equal importance. A contractor may be capable according to *resume* but incapable according to *backlog*.

An excessive number of candidates does not necessarily add value to the process. It is more important to be dutiful in prequalifying a select list. The list should reflect a meaningful cross section of proven experience, cost conscious project management and quality construction.

### **The Request for Proposal**

The RFP presents an ideal opportunity to clearly define the scope of the project. By developing a comprehensive project summary for issuance with the RFP, you will create a package that can be used in the equity/finance effort as well as in market studies and related activities. An early, refined definition of the project scope provides a basis for both the pro forma and the negotiated construction contract--and a blueprint for managing the design to meet the budget.

The RFP should request a detailed construction budget based on the narrative and early design documents. The pricing and format provided by each candidate can be useful in assessing the quality of information provided by the contractor, and in preparing for the interview. Total project costs, however, may be subject to continuing refinement until the RFP process has reached the final stages of negotiation and the documents have matured. At that point, the team should have a clear understanding of the scope of work and the contractor should be armed with adequate information to produce a refined and reliable price. If the project documentation provided in the RFP is detailed and comprehensive, the average of all contractors' estimates provides a meaningful first test of the pro forma assumptions.

The construction budget should be based on a "Pricing Package" included with the RFP. Since the RFP can be effectively issued any time along the continuum of conceptual to design development, the extent of the drawings issued in the Pricing Package can vary. At minimum, basic floor plans, elevations, building section(s) and site plan should be included.

### **Additional documents may include:**

- Structural drawings
- Geotechnical report
- Environmental survey
- Mechanical/Electrical/Plumbing drawings
- Site survey

Develop an outline specification or detailed narrative that includes sufficient detail to underpin the pro forma and program requirements. It may be helpful to include one or more narratives from the architect, engineers and owner, defining essential elements such as exterior closure materials, type of structure, program requirements, MPE systems, and site development details. Increasing the contractor's understanding of the project increases the likelihood of receiving meaningful feedback in the response.

### **The Analysis**

When the RFP includes specific instructions defining the format for the responses, accompanied by formatted electronic spreadsheets, the analysis can be efficient and timely. Checklists and spreadsheets should be prepared in advance of the due date to facilitate expedient comparison of the data. If each contractor's response follows the defined format, the information can be readily inserted into the prepared checklists. When the format and preparations are well coordinated, it is possible to complete the analysis in a matter of days.

*Continued on page 14*

## BUILDING YOUR TEAM *CONTINUED*

The objective of the analysis is to refine the responses to a meaningful and concise summary of information relating to the selection criteria. This may include schedule, general requirements costs, fee, markups, and other tangible information specific to the project.

Follow-up with the contractors may be required in order to complete the analysis and to clarify the basis of the proposal and elements of cost. Follow-up may reveal omissions, misunderstandings, scope clarifications and related issues. Upon completion of the follow-up effort final adjustments may be required to assess the impact on the final estimate and proposal.

As the responses and spreadsheets are analyzed, it will become increasingly evident which contractors are most qualified and preferred. By including the members of your team in the contractor evaluation process, the all-important team “buy-in” is more likely. The objective of the team review is to identify a “short list” for the interview process. The goal: *to build, by consensus, a team of personnel that work well together.*

### **The Interview**

The interview will likely be the first time you meet and interact with the contractor’s proposed team and is an essential component in the selection process.

By including key members of your design/development team in the interview process, you will have an opportunity to assess the group dynamics, and promote team buy-in for the final selection.

Review the analysis results with the team participants conducting the interview. Each contractor RFP response is likely to present differing issues requiring clarification prior to final selection. By fine tuning each interview you will be able to “fill in the blanks” in the short period of time allotted for this meeting

Plan to conduct all the interviews on the same day or on successive days if possible. This will assure a common thread through all interviews in comparing the contractors’ qualifications. The selection team discussion/decision can be made while the interview experiences are fresh.

### **The Negotiation**

The negotiation is the final chance to make your best deal. The RFP solicits “proposals” intended to serve as the basis for the contract terms and the deal. As such, the “proposed” terms are subject to negotiation and refinement. Only after collecting and analyzing data, interviewing candidates, and reaching consensus with your team are you adequately prepared to negotiate the final terms.

Analysis of the written proposals will have provided specific deal points such as fee, schedule, markups, labor rates (and burden), general requirements, and insurance rates. These are some of the key financial elements to use as a starting point for the negotiation. The interviews may have uncovered additional deal points. The team should determine the deal point “goal” prior to initiating the negotiation. This will allow the process to move forward in an organized fashion, delivering measurable results.

As the negotiation matures, be open to alternatives that may be unconventional yet provide win-win opportunities. Consultation with the selection team may reveal successful creative experiences on other projects. It is critically important to apply the necessary time and effort to reaching an agreement, since this deal will serve as the basis for cost and the recipe for success.

The most successful negotiations result in a “win-win” outcome for all parties. Beginning the project with a contractor who feels shortchanged in the negotiation may set the tone for a contentious relationship. The best outcomes for negotiated projects are a result of mutual respect and trust.

*Continued on page 15*

# BUILDING YOUR TEAM *CONTINUED*

## The Deal

Information gathered from the analysis, the interview, and the negotiation should be compiled into a single document forming the basis for the deal. Attention to detail will significantly reduce the potential for disagreements at a future date.

### Critical deal points may include:

- Schedule/duration
- Exceptions/agreement on Construction Contract
- Agreement on general requirements
- Preconstruction cost and extent of participation
- Fee agreement (% or lump sum)
- Definition of markups
- Bonding requirements
- Committed personnel (it is often said “it is the people that make the difference.”)

Preparing a clearly documented agreement, defining the elements of the cost of construction, as well as the committed resources and definition thereof, is essential to maintaining the pro forma objective, and significantly mitigates the potential for scope and cost disagreements. The deal should be executed carefully and promptly, and with the appropriate duty of care.

## Summary

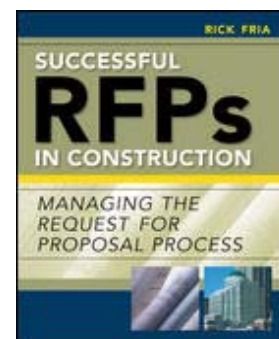
Each RFP process will vary according to the team’s needs, project requirements, extent of documents and the role of the contractor. As the process unfolds, the plan will require modification to fit reality. Incorporating flexibility into the timing and execution of the plan, the spreadsheets and interviews will result in an outcome tailored to the specifics of the project.

A well-organized plan, utilizing refined analysis tools, should allow you to complete the entire effort in three to six weeks. The key steps of a successful RFP process:

1. Plan the RFP process in advance
2. Consider the cost-benefit of the effort
3. Provide clear and concise information in the RFP document
4. Complete a detailed analysis of the responses, and follow up as appropriate
5. Perform thorough reference checks
6. Conduct open and interactive interviews
7. Document the negotiation in writing
8. Execute the deal without delay

The desired result is the selection of a qualified contractor to assume a critical role in the development of your project—a contractor with the requisite specialized skills to complement your team. The proactive interaction of the contractor with the design-development team will enhance the probability of your project being built...on time, in budget and with quality.

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