

# Negotiation Phase

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# Approaching the Negotiation Phase

After you pick a new vendor in your RFP, what's next? This session will cover the important time period between selecting the top-evaluated vendor and signing the contract.

This is the last chance to clarify the vendor's proposal, flesh out their work plan, and address any scope gaps before you sign the dotted line. Many agencies fail to take advantage of this time period because they focus solely on negotiating the contract terms & conditions. However, this is a golden opportunity to start partnering with the vendor to pre-plan your project/service.

## Disclaimer:

- This session is not about negotiation tactics to “out-maneuver” your vendor.
- Instead, this session is about how to leverage your vendor's expertise to develop best scope & approach to achieve a successful project outcome!

# Agenda for Today

- **What is the Negotiation Phase?**
- **Important Items to Focus On**
  - 1) **Red Flags**
  - 2) **Potential Risks**
  - 3) **Stakeholder Coordination**
  - 4) **Concealed Conditions and “Known Unknowns”**
  - 5) **Scope Gaps & Other Surprises**
- **Steps in Clarification & Pre-Planning**
- **Summary**

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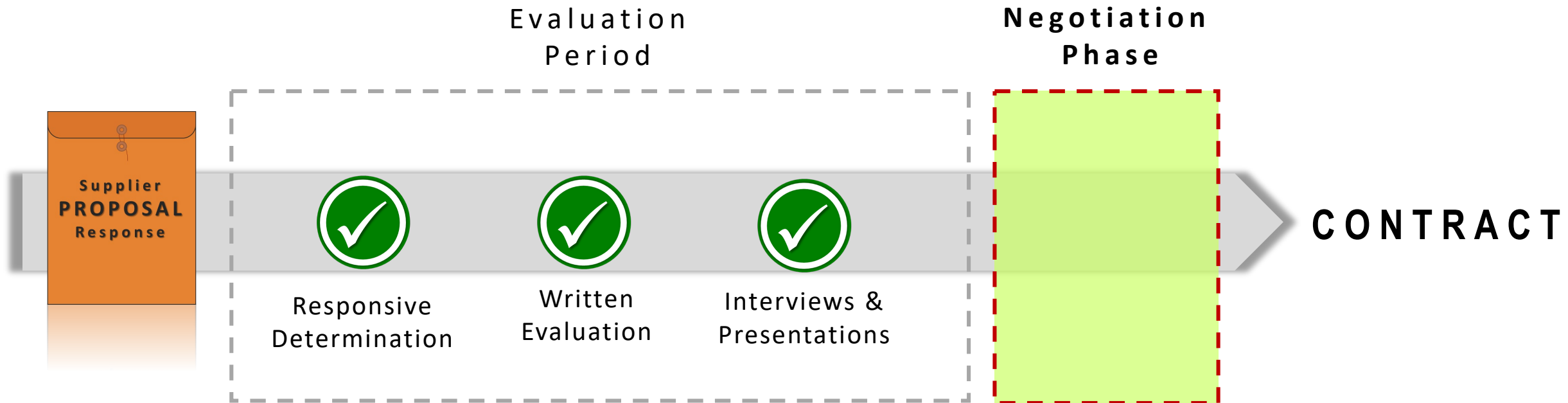
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# What is the Negotiation Phase?

# Negotiation Phase



Typically the last step before contract signature.

# Traditional Negotiation

- **99% focused on the “contract” or “agreement”**
  - **Negotiating the legal terms and conditions of the agreement**
  - **Sometimes fleshing out the SOW, but often inconsistently (varies based on each project team)**
- **Very little (if any) effort is spent on clarification and pre-planning activities**

# Two Parallel Streams



**Clarification & Detailed Planning**

**Legal Agreement and Terms & Conditions**

**Contract**



# Two Parallel Streams

**Project Teams should Focus Here!**

**Clarification & Detailed Planning**

**Legal Agreement and Terms & Conditions**

**Contract**

# What To Focus On

- **If your greatest concern is winning in court (if the project goes bad and you actually take the supplier to court), then yes, you should focus all your efforts on the T&C of the contract.**
- **However, if you are more concerned about actually having the supplier deliver/execute a successful project, then real focus should be on clarification and preplanning**
- **We are not saying that the contract isn't important or that you should still negotiate it (this still needs to be done), but your client should really be doing additional work to maximize the opportunity for success**

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## 1) Red Flags



# Example – Software Project

NO	CRITERIA	WEIGHT	VENDOR B	VENDOR C	VENDOR E	VENDOR G
1	Cost Rating	200	4.2	2.6	5.0	9.0
2	Interview Rating	250	4.0	3.7	8.0	7.0
3	Demo Rating	100	4.2	1.0	10.0	10.0
4	RAVA Plan	250	7.2	3.4	3.4	2.8
5	Work Plan	100	7.0	5.0	6.0	7.2
6	Past Performance Rating	100	5.0	4.2	5.0	5.0
<b>Overall Score</b>		<b>1,000</b>	<b>708</b>	<b>454</b>	<b>763</b>	<b>816</b>

Vendor Code	Installation & Integration	5-Year Support	TOTAL
FIRM A	\$750,000	\$1,250,000	\$2,000,000
FIRM B	\$745,028	\$1,183,470	\$1,928,498
FIRM C	\$369,720	\$1,192,135	\$1,561,855
FIRM D	\$618,050	\$1,098,429	\$1,716,479
FIRM E	\$712,600	\$1,612,000	\$2,324,600
FIRM F	\$732,000	\$1,477,500	\$2,209,500
FIRM G	\$688,671	\$379,872	\$1,068,543
<b>Average (Minus Outliers):</b>		<b>\$719,575</b>	<b>\$1,229,745</b>
			<b>\$1,895,841</b>

## Client's Initial Questions:

1. They do not have a main office in the City (located 4hrs away). How can they guarantee that they will service us?
2. We need to meet with them to verify how their system will meet the 1,478 requirements
3. The risk assessment plan was not very good. Can they actually do this work?
4. Can we talk to their past clients to verify that they have done similar work?

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# Example – Lighting Renovation

- Budget = \$180,000

No	Criteria	CH04	CH03	CH02	CH01
1	Price	\$ 72,400	\$ 70,350	\$ 87,850	\$ 96,575
2	Risk Assessment Plan	7.5	5.8	4.2	2.7
3	Schedule	35	30	35	25
4	PPI (1-10) Average	9.7	9.6	9.8	9.6
5	PPI (Jobs & People) Average	20	18	16	23



1. Can they really get this done during summer break?
2. How will they handle working in an in-operation student dorm?
3. How will they handle employee parking?
4. The University always has problems with staging. How will this be handled?



# Background

- Budget: **\$50M** | 5-year contract
- **Service components [separate evaluations]**
  - **Wired Telephony**
  - **Data Network Services**
  - **Video Conferencing Services**
  - **End User Support (Help Desk)**



# Existing conditions

- 500 access sites; 77 video end points; 1,400 routers
- 6,200 phones; 30.4M annual phone minutes
- 175 data centers
- 17,000 government staff members



# Data Network

- Firm A = \$8.4M price
- Firm B = \$11.7M
- Firm C = \$4.8M Price

*Alaska Budget = \$12.5 Million*

# Data Network

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- Firm B = \$11.7M
- Firm C = \$4.8M Price

*Firm C has clearly  
“missed” something!!!*

*Alaska Budget = \$12.5 Million*

# Initial Justification

- **“We have reviewed our costs, and are comfortable and confident that our pricing is accurate.”**

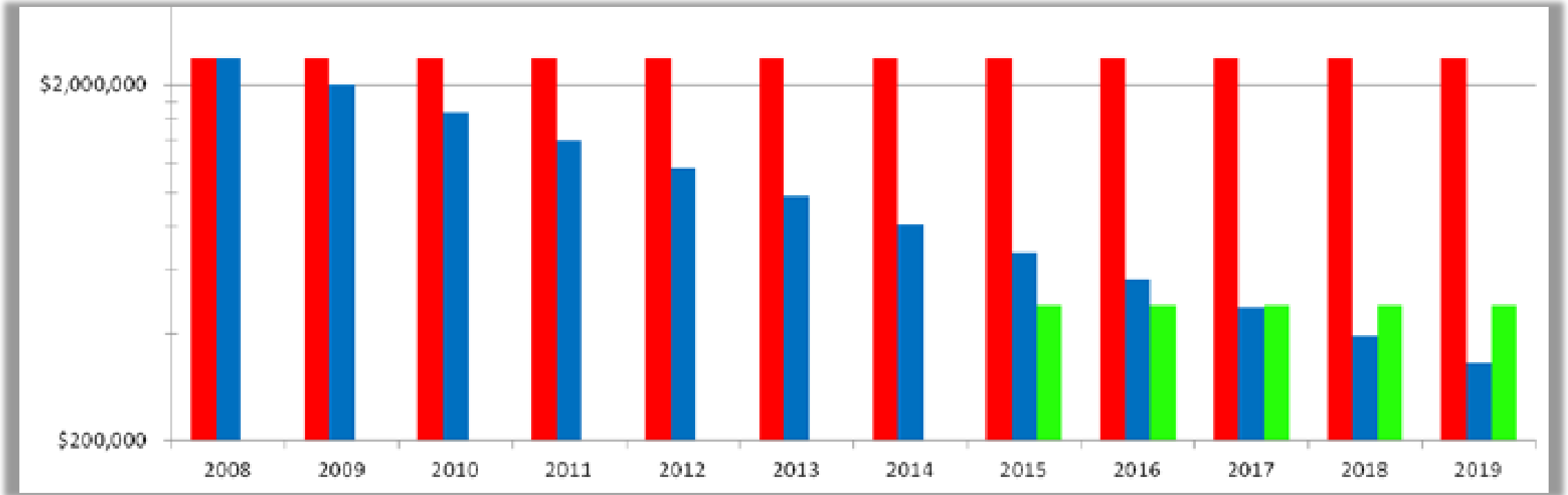
# Please Explain...

- Proposed cost is **60%** below the budget
- Proposed cost is **50%** below the average

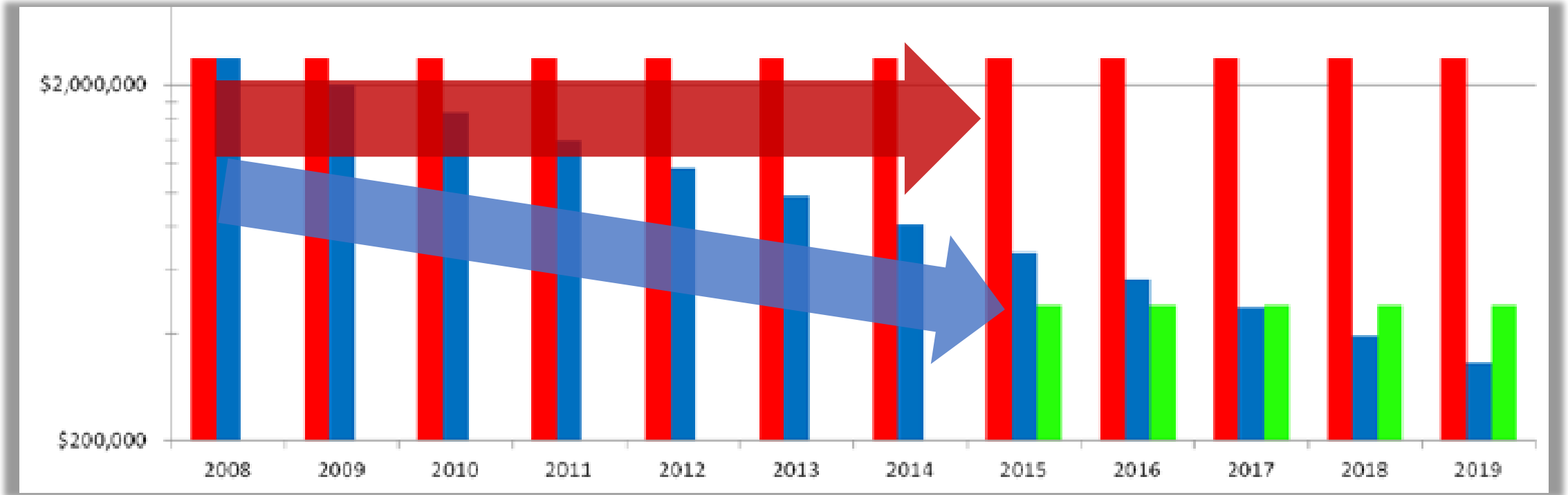


# Industry Trends

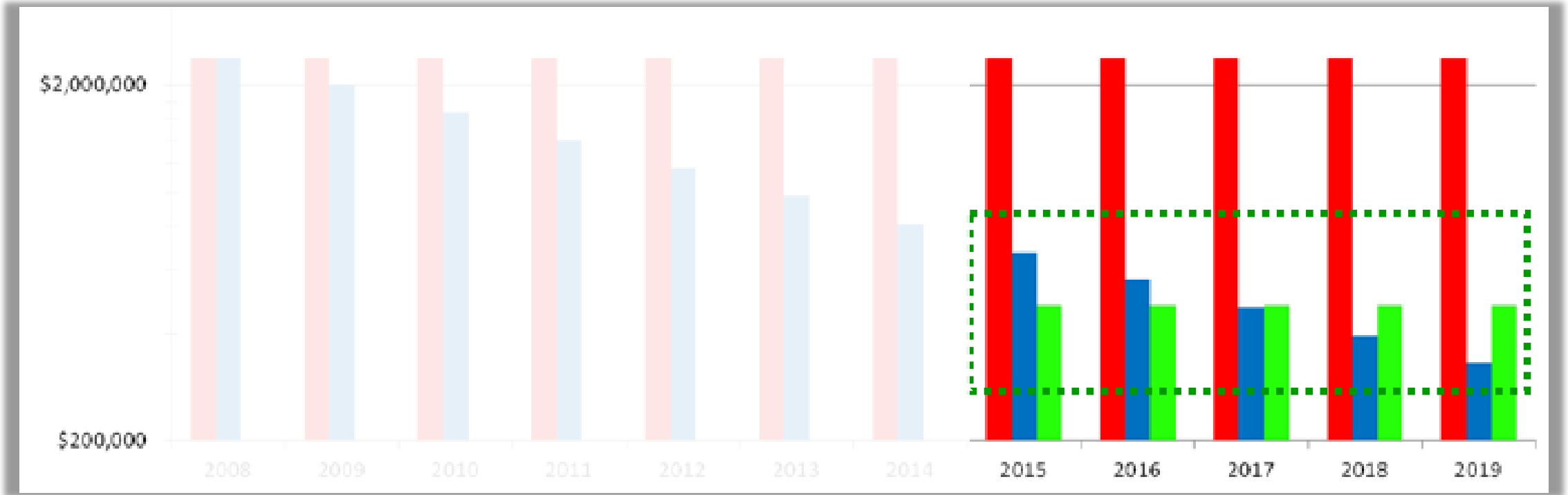
Year	Internet Transit Prices (in Mbps, min commit)	Per Mbps	% Decline
1998	\$1200	per Mbps	NA
1999	\$800	per Mbps	33%
2000	\$675	per Mbps	16%
2001	\$400	per Mbps	40%
2002	\$200	per Mbps	50%
2003	\$120	per Mbps	40%
2004	\$90	per Mbps	25%
2005	\$75	per Mbps	17%
2006	\$50	per Mbps	33%
2007	\$25	per Mbps	50%
2008	\$12	per Mbps	52%
2009	\$9.00	per Mbps	25%
2010	\$5.00	per Mbps	44%
2011	\$3.25	per Mbps	35%
2012	\$2.34	per Mbps	28%
2013	\$1.57	per Mbps	33%
2014	\$0.94	per Mbps	40%
2015	\$0.63	per Mbps	33%



- State Budget
- Market/Industry Average
- Proposed Rate



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# Evidence for Lower Cost

*Recent cost comparison for local municipalities for similar service*

Client	Previous Rate	2014 Rate	% Decrease
Large School District - Alaska	\$160/Mb [2010]	\$23/Mb	85%
Large Multi-National Carrier - Alaskan Business	\$120/Mb [2008]	\$25/Mb	80%
Mid- to Large-Size Alaska-Based Company	\$50/Mb [2011]	\$25/Mb	50%

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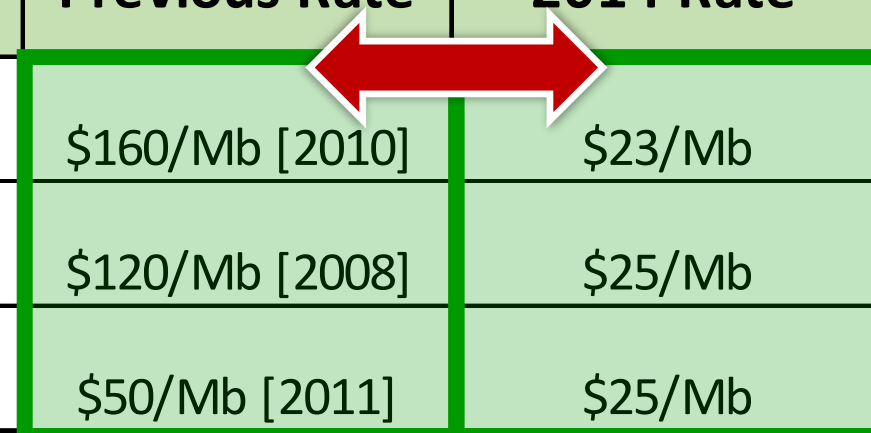
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Cost/MB  
decreased  
by **78%**



# Evidence for Lower Cost

*“Our cost proposal is in line with Lower 48’s cost”*

Current Lower 48 Data Network Service Rates				
Service	Term	Monthly Lower 48 Price	State of Alaska Monthly Budget	Proposed Monthly Price
2 Gb Data Network Services & Internet	60 Months	\$30,280	\$208,333	\$40,000

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# Other Red Flags:

- **Project Team**
  - Quality
  - Bait-and-Switch
- **Scope Discrepancies**
- **Etc..**

# Important Items to Focus On

## 2) Potential Risks (Non-Controllable)

# Potential Risks in Operation / Meeting the SOW

## Example: Dining Services

- Objective: Select high performing Dining Services vendor to provide all dining services on 4 campuses campus (60,000 students)
- 16-year contract (Student population of 100,000)
- \$1.5 Billion in Total Revenue

		Average Rankings		65	78	69
NO	CRITERIA	WEIGHT	FIRM A	FIRM B	FIRM C	
1	RAVA Plan	28	5.9	7.1	6.3	
2	Interview	25	7.9	8.4	6.8	
3	Past Performance Information Surveys	24	8.4	9.3	8.4	
4	Number of Past Clients Surveyed	1	6	3	4	
5	Transition Schedule	2	5.2	7.0	6.3	
6	Financial Rating	5	4.0	8.0	8.0	
7	Financial Return - Commissions	7	\$ 30,254,170	\$ 60,137,588	\$ 64,000,000	
8	Capital Investment Plan	6	\$ 14,750,000	\$ 20,525,000	\$ 12,340,000	
9	Equipment Replacement Reserve	2	\$ 7,213,342	\$ 4,100,001	\$ 8,171,811	
10	Total Financial Investment	0	\$ 52,217,512	\$ 84,762,589	\$ 84,511,811	

# Uncontrollable Risk

- **Risk:** Disaster occurs to the Memorial Union that forces the building to shut down.

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- 85% of all revenue/sales is generated in this facility

# Uncontrollable Risk

- **Risk:** Disaster occurs to the Memorial Union that forces the building to shut down. This will cause significant impact to the financial return
  - 85% of all revenue/sales is generated in this facility
- **Mitigation Strategy:** If a disaster occurs that shuts down this building, we can perform the following to mitigate the financial impact to the Client:
  - Immediately notify the VP of Auxiliary Services (and other personnel)
  - Prepare to setup temporary facilities
    1. Take over the student recreational fields (will require immediate ASU approval)
    2. Setup large outdoor facility tents
    3. Bring in large generators (semi trucks), water trucks, and port-a-poties
    4. Bring in additional meals through food trucks, other meals can be prepared on-site
  - Work with Client to determine other facilities to house a more permanent facility.



# Memorial Union Fire Day 1



## DAY 1 – THURSDAY (Nov 1)

- ▶ Vendor activates alarm
- ▶ Vendor leads the evacuation & clears out entire building
- ▶ Vendor modifies all markets to accept meal plan cards (usually only dining areas)
- ▶ All meal plan students have access to additional food in a matter of hours

# Memorial Union Fire Day 2



## DAY 2 – FRIDAY MORNING (Nov 2)

- ✦ Extensive damage to the building (blaze nearly reached “flashover” conditions near ballroom)
- ✦ Union is closed
- ✦ Investigation switches from City & Client authorities to ATF
- ✦ Treated as a criminal investigation



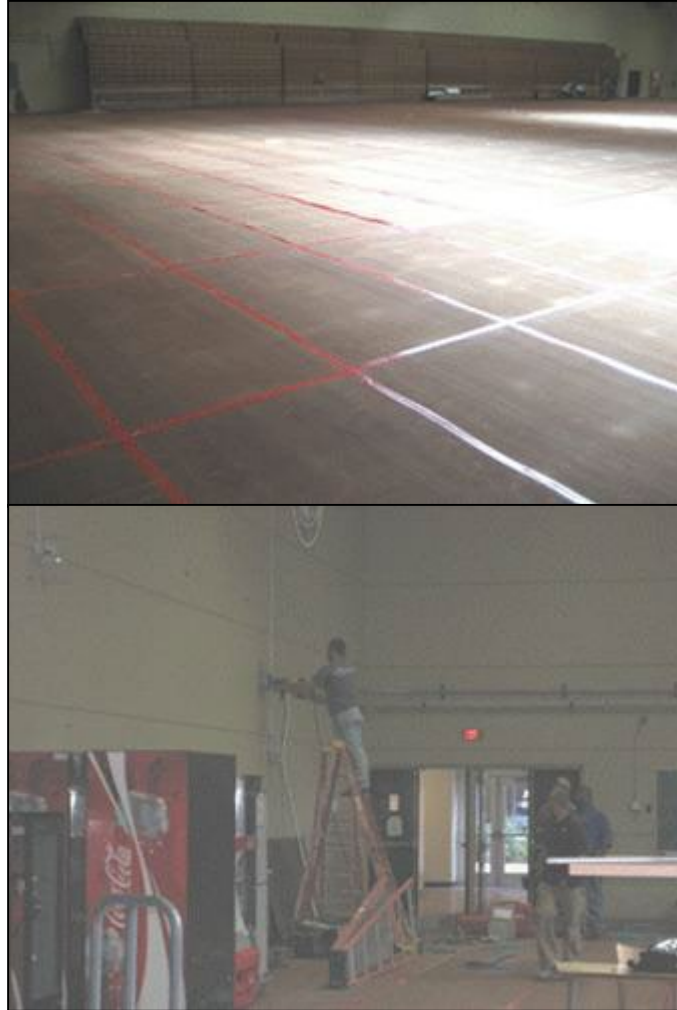
# Memorial Union Fire Day 2



## DAY 2 – FRIDAY AFTERNOON (Nov 2)

- Vendor begins switch over to nearby gym
- Vendor begins bringing the necessary items (inventory lost at MU was \$390,000 – all was replaced)

# Memorial Union Fire Day 3



## DAY 3 – SATURDAY (Nov 3)

- Gym begins being prepared for opening on Monday
- Protective floor installed
- Gym prepped for electronics
- Tables/chairs/booths/etc. cleaned and transferred
- Kitchen/refrigerator/freezers ordered
- 3<sup>rd</sup> Party Vendors contacted (Papa Johns, Chic-fil-a...)

# Memorial Union Fire Day 4

## DAY 4 – SUNDAY (Nov 4)

- Still transporting and setting up
- Data hookups/cash register testing
- Arranging gym
- Stocking





# Memorial Union Fire Day 5

## DAY 5 – MONDAY (Nov 4)

- Open for business at 9:00 am
- Radio station was brought in
- Serving “grab and go” plus full convenience store



# Memorial Union Fire Day 6

DAY 6 – WEDNESDAY (Nov 7)

- Freezer/refrigerator delivered
- Services expanded in gym (more hot food, etc.)



# Important Items to Focus On

## 3) Stakeholder Coordination



# Coordination



# Coordination

<b>Risk 1</b>	<b>Project Schedule</b> separate flooring contract must be completed prior to product installation
<b>Risk Description</b>	<ul style="list-style-type: none"><li>• The schedule requires just-in-time delivery of product to site.</li><li>• Delivery timing is restricted by the floor repair contractor.</li></ul>
<b>Plan to Minimize the Risk:</b>	
<b>Response if the Risk Occurs:</b>	
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<b>Response if the Risk Occurs:</b>	<ul style="list-style-type: none"><li>• Contingency dates will be used to make up lost time.</li><li>• Ability to provide additional labor &amp; work nights/weekends.</li></ul>
<b>Potential Impact (if risk occurs)</b>	<ul style="list-style-type: none"><li>• Extra labor costs only is flooring repair contractor causes delays beyond July 21. Overtime labor rate of \$75/hr</li><li>• Storage costs of \$220/day plus \$400 extra for delivery</li></ul>

# Availability of Key Individuals for Meetings

## Why it is a risk:

- One of the most common inefficiencies on similar projects is key individuals not attending meetings (even though they have previously confirmed attendance).
- Each meeting, especially during the design stage, is highly important.
- Often unavailable key individuals will send others in their stead but these are often lacking necessary project knowledge, improperly trained or unskilled client functional staff, this creates risk of delaying the schedule and increasing cost when clients inputs are needed to follow the schedule.
- Examples of unavailable key individuals are due to; Job duties, limited travel, vacations, furloughs, etc.

# Availability of Key Individuals for Meetings

## Plan to Minimize Risk from Occurring

1. The RMP contains a detailed project schedule for Phase 1 (DLRS/ATMM).
2. The RMP contains a detailed schedule for the start of Phase 2 (MOVRS).
3. Each schedule has been confirmed with all necessary participants. All known absences as of the start of the contract are known and will be accommodated
4. Meeting invites have been and will continue to be sent to all needed participants for all training and design activities to ensure calendar blocks. Declines of invitations and Tentative Acceptances will be identified and shared with ITD PMO team.
5. A six month rolling look ahead schedule will be placed in SharePoint (by DATE) giving reminders and announcement of critical sessions for key individuals

# Availability of Key Individuals for Meetings

## Impact to ITD will be Experienced/Assessed If:

1. Communication has failed after three days from the first communication (Phone call or email). No less than two emails and two phone calls will be made to the client before plan activates
2. Two required SMEs not attending SVP, training, or JAD session without sending substitute with same knowledge/authority.
3. Project schedule is delayed due to unresponsive individuals by more than 10 days.
4. Notification to the individual's manager, even by the PMO, does not generate attendance or decision makers finalizing decision

## How Impact will be calculated:

1. Vendor will call a resource meeting within two days of failed communication and follow up attempts.
2. Vendor will reprioritize project tasks that are not on critical path with Client PMO to minimize or eliminate impact if possible.
3. Vendor will identify tasks that can be outsourced and provide that list to Client PMO to minimize or eliminate impact if possible.
4. Vendor creates a cost analysis of delay impacts within five days of the resource meeting
5. If no action/resolution has occurred within a total of 20 business days of the initial problem, Vendor will proceed with baseline configuration and any changes from baseline will be sent through the documented change management process and treated as scope change.



### Risk #3 – Availability of Key Individuals at Meetings for Input

#### Assess Impact

- Impact will be assessed

#### Impact will be realized if:

- Failed communication attempts for 3 days
- Project will be delayed more than 10 days
- Cannot get a response even with Client support

#### Risk Occurs:

Meeting Missed  
w/o viable substitute

#### Continuous Attempts to Mitigate

- Vendor & Client will work to minimize impact for up to 20 days

**3 Days**

- Communicate & seek needed info/decision
- If cannot get needed info/decision track in WRR and seek PMO support
- Follow up includes: 2 emails and 2 phone calls/messages
- Follow up will continue for 3 days

**2 Days**

- Call resource meeting
- Reprioritize tasks to minimize impact
- Outsource tasks if possible

**5 Days**

- Develop cost and delay impact analysis for change order for impacts that cannot be mitigated through efforts of reprioritization, etc.

**10 Days**

- Attempt to adjust to minimize risk
- Implement CO if needed

#### Move forward w/ Baseline

- Move forward
- Any needed changes later will be a CO

**20 Days**

- If no resolution to needed info within 20 days of the risk first occurring then Vendor will proceed with baseline configuration



# Important Items to Focus On

4) Concealed Conditions  
& “Known Unknowns”

# *Competing Proposals*

## Concealed Site Conditions

### Risk

- “There may be concealed existing conditions of a variety of types. These are a risk because they may impact the project budget and/or the project schedule.”

### Solution:

- “Commitment that the team will have 24/7 availability to respond to risks”

# “Known Unknowns”



<b>Risk 1</b>	<b>The Exterior concrete foundation walls &amp; footings may have a “Coal Tar” based waterproofing membrane adhered to the surface.</b>
<b>Risk Description</b>	<ul style="list-style-type: none"><li>• Coal Tar based coating may contain leachable PAH materials not suitable for disposal in [State’s] landfill facilities.</li><li>• The coatings would require manual removal and collection for out-of-proving disposal</li></ul>
<b>Plan to Minimize the Risk:</b>	<ul style="list-style-type: none"><li>• Perform exterior wall excavation &amp; sampling early in schedule</li></ul>

# “Known Unknowns”



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<b>Plan to Minimize the Risk:</b>	<ul style="list-style-type: none"><li>• <b>Perform exterior wall excavation &amp; sampling by October 10 (week 2 of the project schedule)</b></li></ul>
<b>Response if the Risk Occurs:</b>	<ul style="list-style-type: none"><li>• <b>Confirm material type, disposal method, &amp; removal procedure</b></li><li>• <b>On site disposal with crushed concrete is possible</b></li></ul>
<b>Potential Impact (if risk occurs)</b>	<ul style="list-style-type: none"><li>• <b>Add +/- 3 weeks to project schedule</b></li><li>• <b>Add +/- \$42,000 to project cost</b></li></ul>

# Addressing Contingency

\$6.7M, 4 year Contract



<b>Identified Risk 1:</b>	<b>Unknown Masonry Repairs</b>
<b>Risk Description:</b>	Encountering unknown quantities of grouting, back pointing, sandstone repairs and masonry ties to stabilize walls.
<b>Plan to Minimize Risk from Occurring:</b>	Complete several areas of test holes in the building to inspect and identify quantities early on in the project.
<b>Action If the Risk Occurs:</b>	Complete grouting with cellular foam grout and track by quantity of bags. Complete back pointing beyond 1" depth (or 4 times the width of joints) using 1-1-6 mortar, order sandstone as required for fabrication and install new spiral retro – fit ties.
<b>Expected Impact (If Risk Occurs):</b>	Add (+/-) 10 Weeks to schedule per phase Add (+/- )\$760,000.00 + HST to overall project Cost of \$190,000.00 + HST per phase x 4 phases
<b>Additional Action( If Required):</b>	Adjusted contingency cost to reflect items that were discovered during investigation of 6 test holes.
<b>Status:</b>	Contingency cost is included and will be required to be monitored throughout the project. A total contingency price of \$501,200.00 will be carried in the contract.

# Important Items to Focus On

## 5) Scope Gaps



# Specialized Equipment and Vault



# Impact of Clarification

- DB renovation of warehouse to specialized academic research & production facility for radiopharmaceuticals that includes a 24MeV cyclotron particle accelerator.
- Extremely high risk and high profile



**Bad news is really good news if found out during Clarification**



# Major Risks

## Actual Building Dimensions

### **Risk**

1. During a site review, the design found the existing building to be roughly 4.5m wider in the North-South direction, which adds roughly 170m<sup>2</sup> of space to what was shown on the bridging documents by CONSULTANT.
2. The exterior dimensions are larger (ie: roofing area, envelope area).

### **Mitigation Strategy**

1. Design team has worked to minimize the cost impact the extra space may bear on the project by using the extra space for corridors, which has also helped in a more efficient layout. The deadline for final approval of a floor plan is Oct.12.

### **Impacts**

1. Once the floor plan has been approved, the DB team will review the new layout and assess whether there will be cost implications. GC to notify the CLIENT of any interior cost implications this may have by Nov.1.
2. The costs for the exterior elements will increase. GC to provide the cost impact for the roofing and envelope by Nov.1.

# Major Risks

## Existing Structure Concerns

### **Risk**

1. During a field review by the structural engineer some cracking was observed on the perimeter concrete beams.

### **Mitigation Strategy**

1. During roof deck replacement we recommend that perimeter struts be added from the tops of the existing masonry pilasters to the bottom chords of the existing joists on the north and south walls and to the top chords along the west wall.
2. We also recommend the existing cracks be treated with epoxy injection and the deck diaphragm be reinforced with permanent bracing in the east end of the facility to provide a safe and stable work environment for the roofing crew during construction as well as for future maintenance.

### **Impacts**

1. The design team and the CLIENT agree to proceed with the understanding that the structural design and associated pricing of the recommended changes will be complete by Nov.1. The project team will then meet as a group to review the pricing. The costs will be funded by the CLIENT deferred maintenance budget.

# Impact of Pre-Award Clarification

- **Performance:**

- 0% project delays

- 0% cost increases

- 10 out of 10 customer satisfaction rating



*“Through this unique best-value approach,  
the contractor was able to save  
**14-18 months** in schedule and  
**\$8-12 Million** in cost  
(when compared with the traditional approach)”*

- Hugh Warren | Executive Director Operations & Maintenance at University of Alberta –  
as measured by the governmental Auditors Office.

# Agenda for Today

- **What is the Negotiation Phase?**
- **Important Items to Focus On**
  - 1) **Red Flags**
  - 2) **Potential Risks**
  - 3) **Stakeholder Coordination**
  - 4) **Concealed Conditions and “Known Unknowns”**
  - 5) **Scope Gaps & Other Surprises**

## • **Steps in Clarification & Pre-Planning**

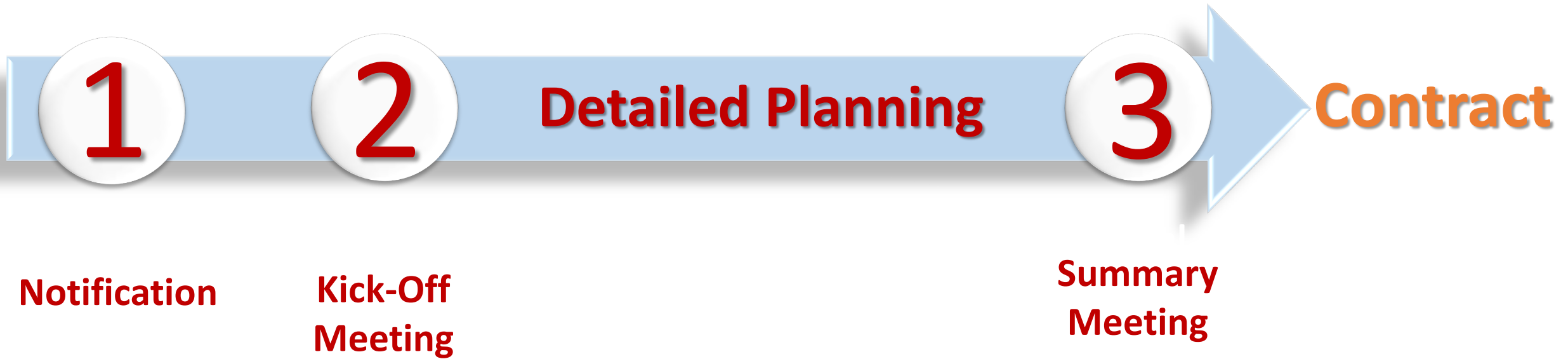
- **Summary**

# Recommended Procedures

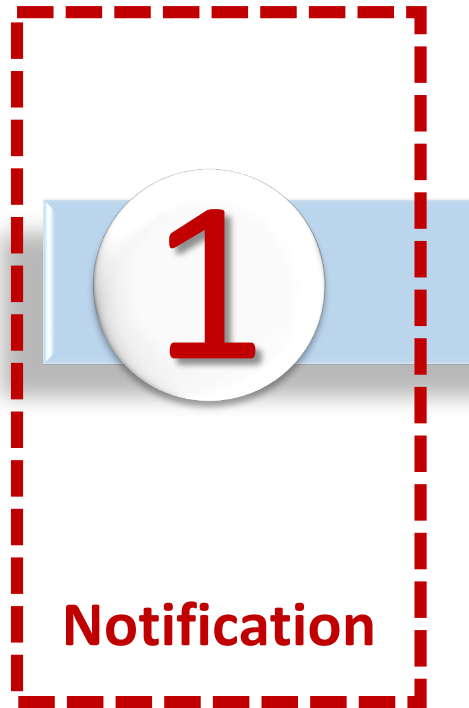
# Clarification & Pre-Planning Activities



# Clarification & Pre-Planning Activities



# Clarification & Pre-Planning Activities

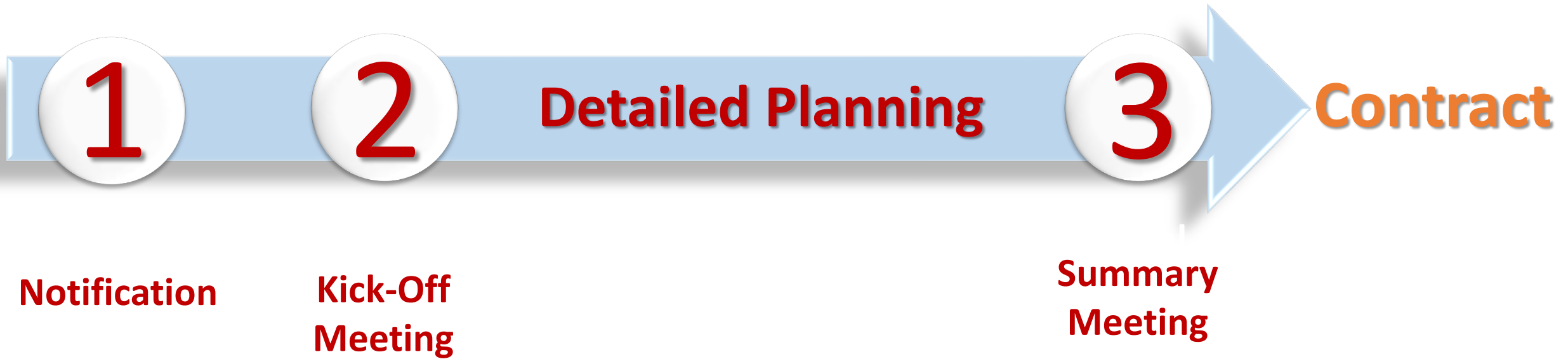


- **Notify the Top-Ranked Proposer**
- **Provide Major Questions & Concerns**





# Clarification & Pre-Planning Activities



# Clarification & Pre-Planning Activities

2

**Kick-Off  
Meeting**

- Opportunity for both teams (client & proposer) to openly discuss the project, SOW, expectations
- Determine if something 'major' has been missed or overlooked
- Set a schedule for detailed planning (that is needed & reasonable before contract signature)

# Kickoff Meeting Agenda

- 1) Project Approach
- 2) Major Client Concerns
- 3) CRISPs + Unknowns
- 4) Requested Client Resources
- 5) Fee Structure
- 6) Clarification Timeline

## Meeting Outcome

- Both parties agree that there are no major roadblocks, obstacles, or questions
- Vendor provides a timeline for the rest of the clarification period (the Execution Planning)



PowerPoint

- **Brief presentation**
- **10-15 slides**
- **Review agenda and key talking points**

# In-Person Format

- **Highly recommended to have an in-person meeting with critical personnel**
- **However, it is also acceptable to utilize a teleconference or video conference for those that can't be there in person**



# Who Should Attend

- All critical members that will be involved in project/service
- **Client Team:** Procurement Officer, Project Manager, key members of the client user group, SME's, etc.
- **Vendor Team:** Project Manager, primary lead, key operations personnel, technical lead, etc.

# Kickoff Meeting Outcomes

- **Stakeholders are comfortable with “big picture”**
  - Outline of timing, milestones, and sequencing
  - Overall approach, means & methods, implementation
  - Key risk items
  - Value Assessment & other innovations
  
- **Day-by-day list of remaining clarification topics**
  - Follow-up discussions of specific topics
  - Technical elements, scope, etc.
  - Drill down on key risks, value items, etc.
  - Cost breakout
  - Client action items



# Clarification Kickoff Meeting

## Table of Contents

- Project Overview
- Project Organization
- Schedule – milestones/critical path
- Health, Safety and Environment
- Site Logistics
- Major Construction Work Plans
- Material Handling Systems
- Quality Management
- Project Plans and Procedures
- Communications
- Value Added





# Clarification Kickoff Meeting

## Project Overview

- Box within a Box concept
  - Developed to expedite the construction schedule
  - There is an unknown existing structural capacity
  - On the main level construct interior partitions with structural steel studs so that a working platform can be supported above
  - Provides a full interstitial service space with all servicing from above
  - Mechanical and electrical service installation occurs above while finishing of room is completed below

# Clarification Kickoff Meeting

## Schedule – milestones/critical path

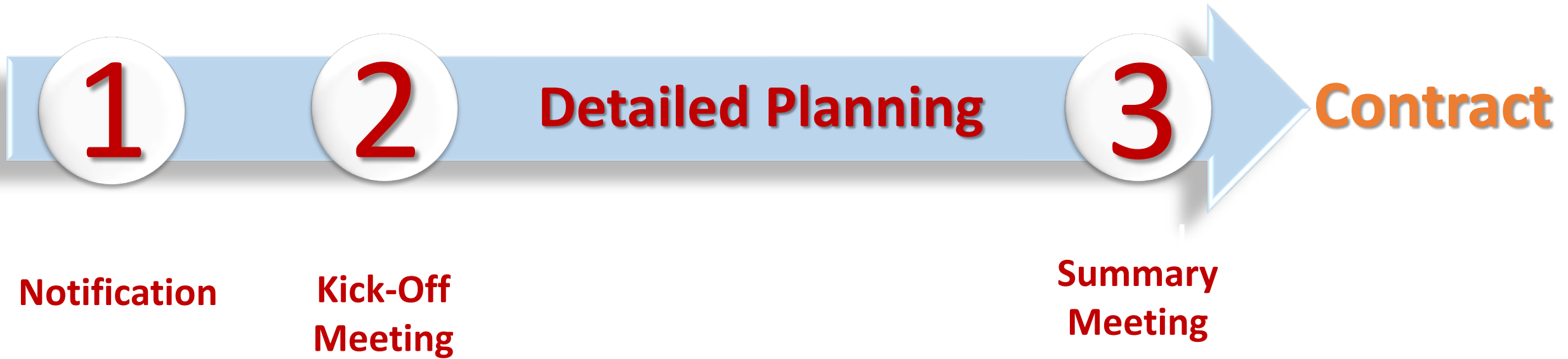
- Pre-award
  - Day One – walkthrough
  - Day Two – design development
  - Day Three – risk analysis/mitigation planning
  - Day Four – risk analysis/mitigation planning
  - Day Five – value engineering/value added
  - Day Six – value engineering/value added
  - Day Seven – process, plan and procedure development
  - Day Eight – process, plan and procedure development
  - Day Nine – summary and design development
  - Day Ten – group presentation



**If The Vendor Has Difficulty Explaining Things Simply Or  
Making This Project Seem Complex....**



# Clarification & Pre-Planning Activities



# Clarification & Pre-Planning Activities

## Detailed Planning

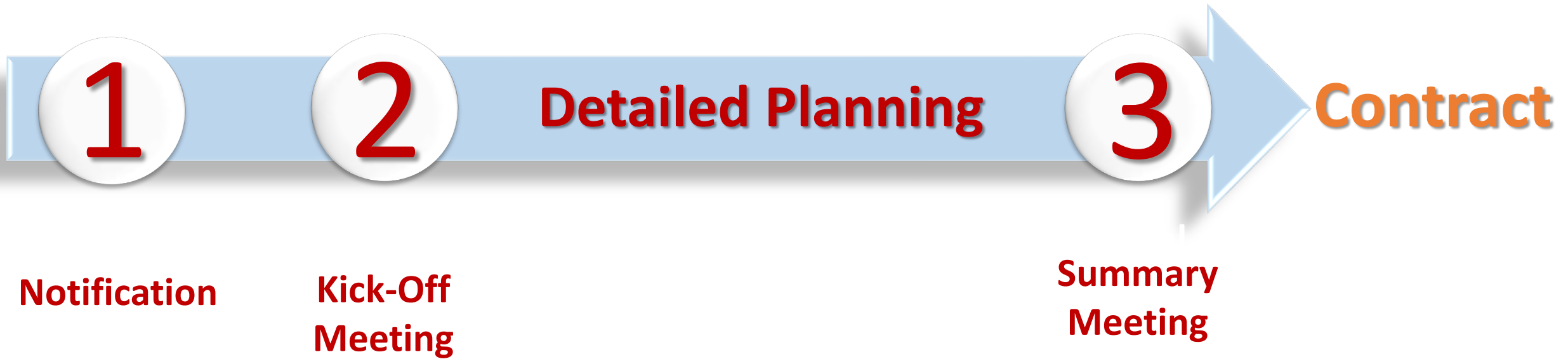


# Structure of Detailed Planning Period

- The consultant and client should be collaborating and coordinating
- Do not work in 'silos'
- Open and regular communication
  - “Deep Dive” Meetings with appropriate SMEs (Topic-by-Topic)
  - Weekly Checkpoint Meeting to report out on Deep Dives progress



# Clarification & Pre-Planning Activities

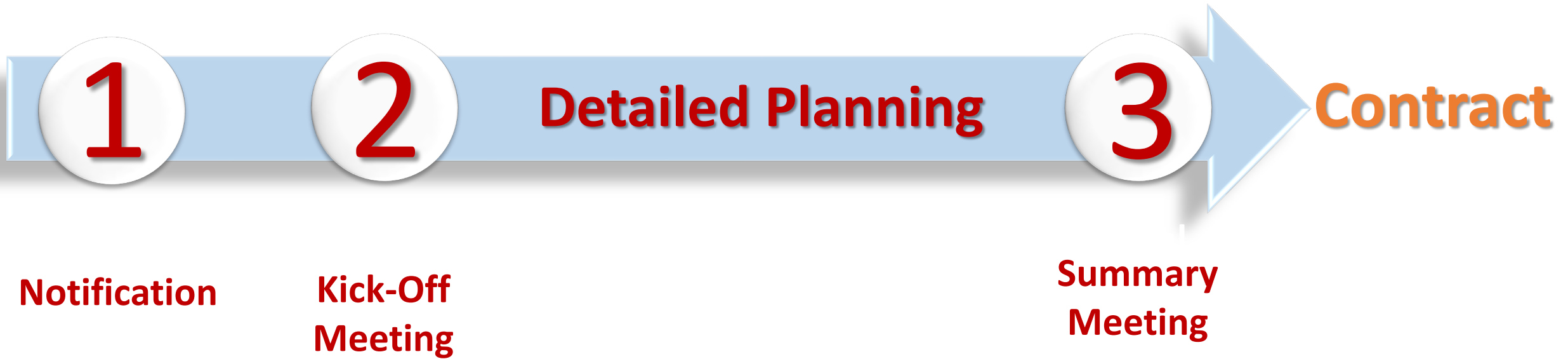




# Clarification & Pre-Planning Activities



# Clarification & Pre-Planning Activities



# Clarification & Pre-Planning Activities

- Both Teams (client & proposer) meet to review the Clarification Document.
- Address any loose ends.
- Confirm we are ready for contract signature.



# Agenda for Today

- What is the Negotiation Phase?
- Important Items to Focus On
  - 1) Red Flags
  - 2) Potential Risks
  - 3) Stakeholder Coordination
  - 4) Concealed Conditions and “Known Unknowns”
  - 5) Scope Gaps & Other Surprises
- Steps in Clarification & Pre-Planning
- Summary

# Summary

# Impact of Risk-Based Partnering & Planning

No	CRITERIA	Traditional Low-Bid	Pre-Contract Clarification
1	Number of projects analyzed	11	10
2	Total awarded cost	\$14M	\$10M
3	Ave. Schedule	5-6 mo.	4-5 mo.
4	Percent awarded cost below budget	4.4%	6.0%
5	Average BV-PA duration (days)	0	7

**Change Order Rate: Cut in HALF**  
**Delay Rate: Cut in HALF**  
**PM Satisfaction Rating: 34% INCREASE**

Lines, B. C., Sullivan, K. T., Hurtado, K. C., & Savicky, J. (2015).

Planning in Construction: Longitudinal Study of Pre-Contract Planning Model Demonstrates Reduction in Project Cost and Schedule Growth.

*The International Journal of Construction Education and Research*, 11(1), 21-39. doi:10.1080/15578771.2013.872733

Download from: <http://www.tandfonline.com/doi/abs/10.1080/15578771.2013.872733>

# US Army Medical Command

PROJECT OVERVIEW	Historic Precedent	With Clarification/Pre-Planning
# of Projects	130	199
Awarded Cost	\$249,336,707.47	\$318,352,918.34
% of Projects on Time	28%	38%
% of Projects on Budget	40%	60%
<b>% Cost Growth</b>	<b>7.02%</b>	<b>4.11%</b>
% due to owner	4.77%	3.46%
% due to contractor	0.02%	-0.08%
% due to unforeseen	2.23%	0.62%
<b>% Delayed</b>	<b>39.1%</b>	<b>33.72%</b>
% due to owner	25.0%	29.88%
% due to contractor	3.58%	-1.42%
% due to unforeseen	10.52%	4.97%

# Summary

- **Pre-Contract is a critical time to plan & clarify.**
- **Contract & T&C's effort proceeds as normal. No change!**
  - **But do not overlook the SOW and ops-level planning**



# Practical Realities

- There will be pressure to “*just sign the contract!*”
- Difficult for both client & vendor
- Be ready to support the vendor if they struggle
- \*only\* the Client Team can enforce the expectation

# Workshop