Business Strategies in a Changing Project Delivery Environment

Construction Industry Roundtable

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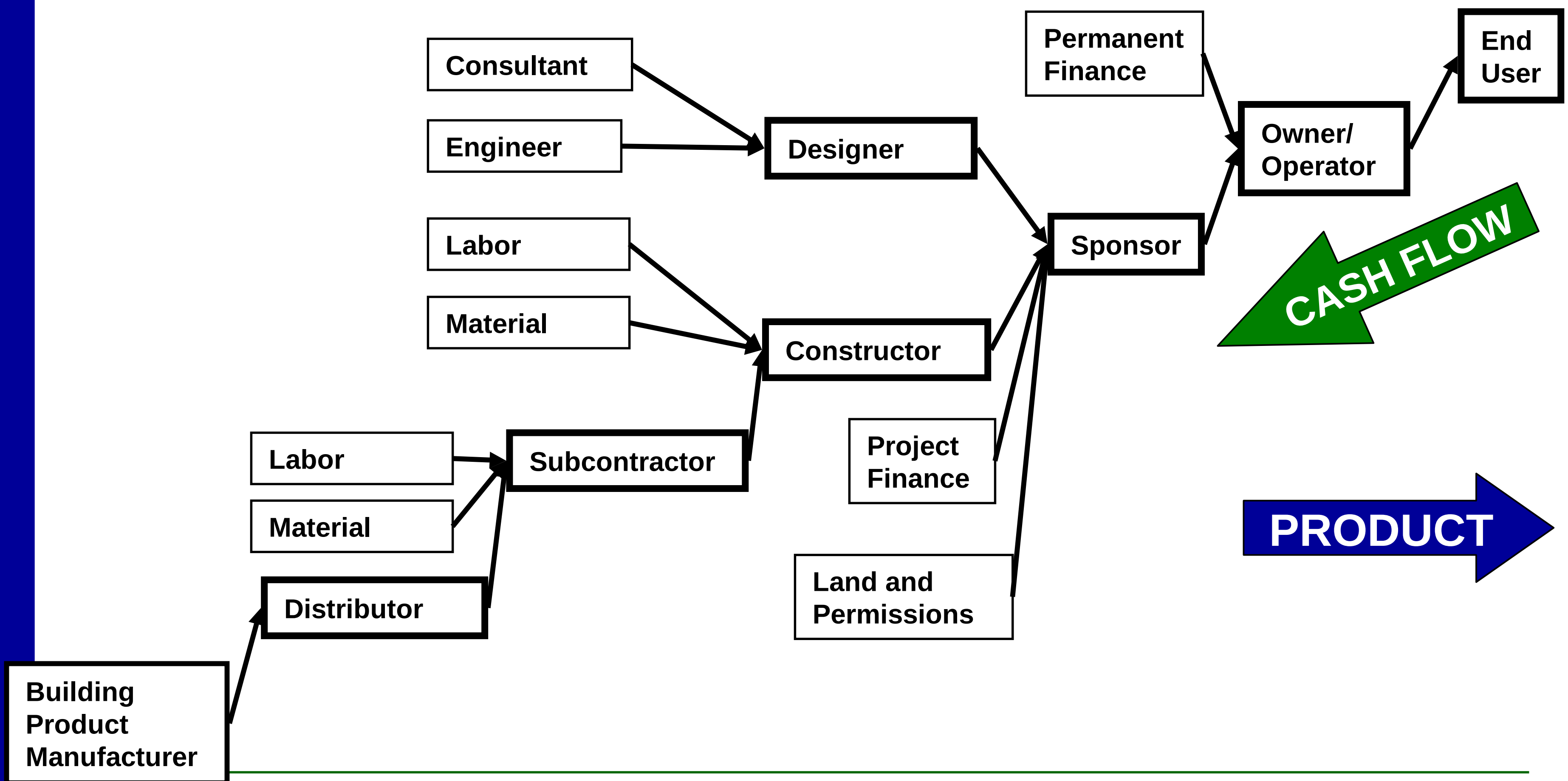
Objectives of This Roundtable

- **Have a structured conversation**
- **Discuss what others are seeing**
- **Share best practices learning**
- **Facilitate networking**

Growing the Bottom Line

- **Grow the top line:** ***more of the same***
- **Increase margins:** ***do something differently***
- **Decrease risk:** ***be more consistent***
- **Any other ways?**

The AEC/EPC Supply Chain



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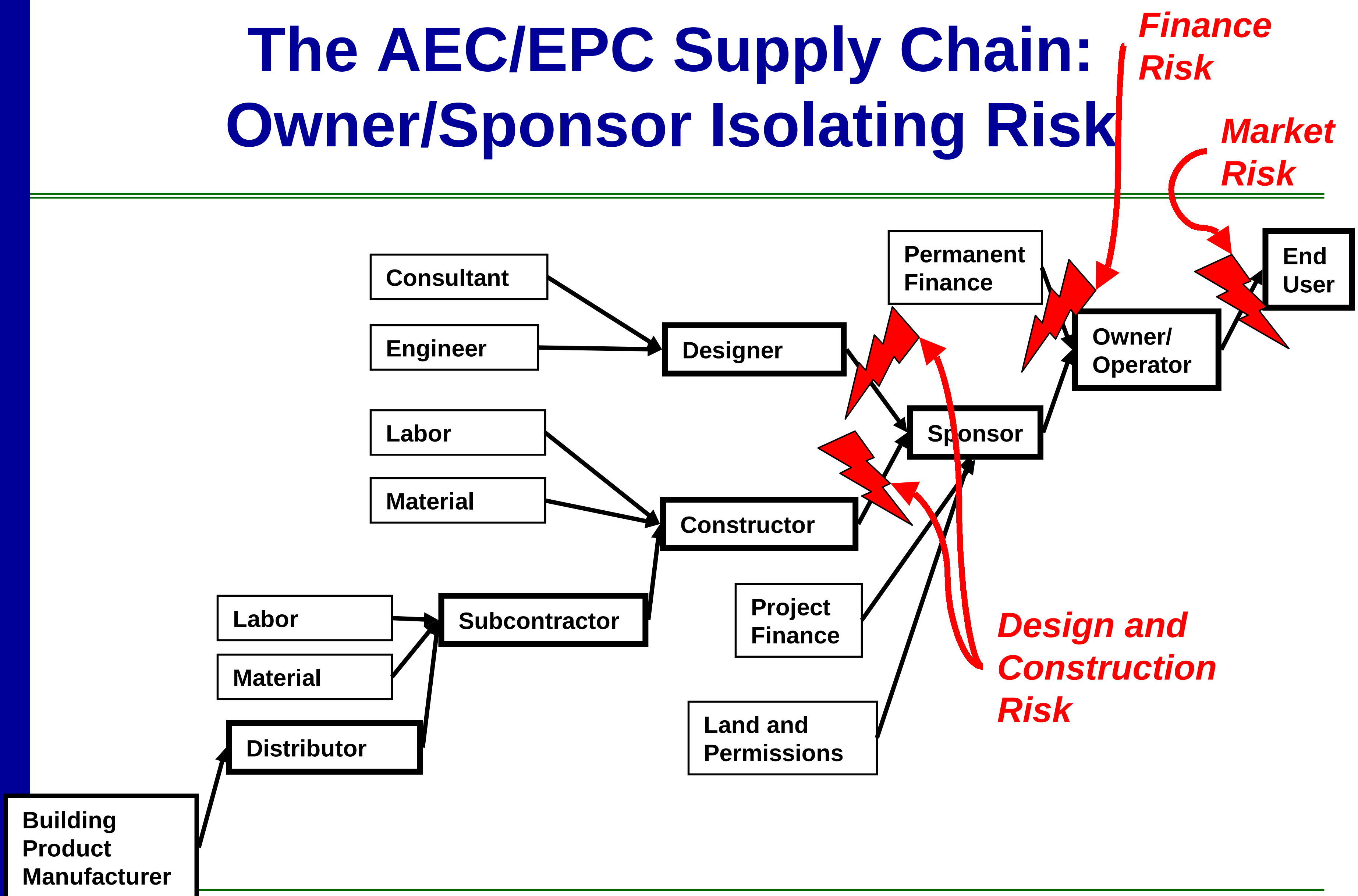
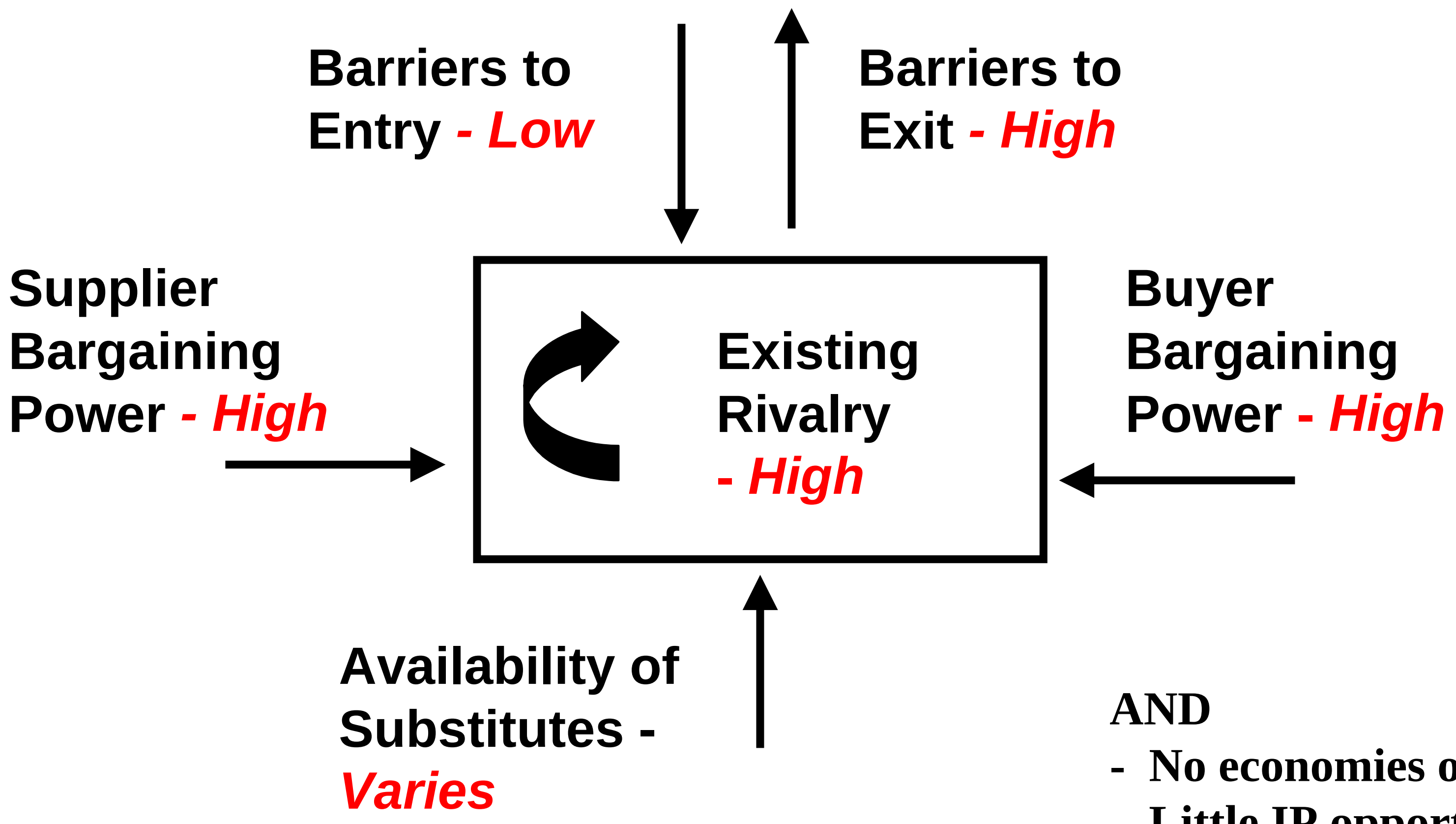
The AEC/EPC Supply Chain: Owner/Sponsor Isolating Risk



Indicators of Industry Profitability: "Five Forces" Model - M. Porter



AND

- **No economies of scale**
- **Little IP opportunity**
- **Many "non- economic competitors"**

New Business Strategies:
Which segment and why?

Basis of Payment:

Form of Contract:

	Closed Book	Open Book
Non Traditional: • **Design - Build** • **Build - Operate - Transfer** • **Design - Build - Finance** • **Engineer - Procure - Construct Operate - Maintain**	Q: Opportunity for higher margins… Lower top line?	**e.g. ChipFab** ***Objective: Coordinate and optimize whole***
Traditional: **Design - Bid - Build - Claim**	**e.g. School** ***Objective: Control; look out for single firm***	**User trend???**

Business Models to Address Profitability:

Concept	Impact?
Take on more contract risk roles - e.g. finance, design, operate	More risk More responsibility Higher margins - maybe Higher top line if work is there
Coordinate docs, communication with extranets, etc.	Less risk? What impact on margins?
Use multi-party contract - via lawyers or via insurance companies	Less risk? What impact on top line?
Invest in procurement and knowledge management technologies	Little impact on top line. What impact on costs and margins?
Overcome fragmentation by introducing new economies of scale	How?
Coordinate supply chain: visibility into user, supplier demand & capacity	Can this be done? Who gets the benefits?

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