

# The “Level-Playing Field” Assumption – A “Go or No-Go” Cautionary Tale

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Your construction company is about to bid what you believe to be a very attractive new project. Your firm has been prequalified along with three other firms, the RFP document has been issued and you are set to compile your most competitive terms and conditions for the labour and materials necessary to complete the job as per the prescribed contractual terms. In this process you are making a lot of assumptions about your competition and the most common assumption made by contractors is that they are on the same “level playing field” as their competitors.

In today’s construction marketplace that assumption could be a very costly mistake. The construction marketplace of today is extremely dynamic as the pace of change is faster than it has ever been. The recently globalized construction marketplace has been flooded with new contractual models, new operational best practices, new technologies, new engineered solutions, new globalized supply chain strategies, and new construction materials. In such a marketplace you cannot assume you are on the same “level playing field” as your competition. It is vital that your firm is up to speed on all the new solutions being used to help improve productivity and reduce risk. So how do you keep up to speed?

Well, it is suggested to take a look at some of the key areas of change referenced above in more detail in order to create a roadmap for your company that will allow you to know your advantages and disadvantages going into a new opportunity:

**1. Contractual Models** – Is your firm familiar with all of the contractual models being utilized both at the prime level of the contract and below the prime level with contractual models being utilized to procure design, subcontractors and suppliers? Are you familiar with public-private partnership models where design, construction and

operations are transferred to the concessionaire? Have you worked on construction management at risk contracts? Do you know what an Integrated Project Delivery procurement model looks like? It is important that you not only be familiar with these project delivery models, but that you also are familiar with the typical risk allocation to all contract stakeholders under such contractual models.

**2. Operational Best Practices** – With the drive for increased productivity pushing contractors to continuously improve their operational practices, several new practices have been introduced - both large scale operational improvement efforts like lean construction and smaller practices such as improved counter-party risk prequalification practices or improved “go or no-go” practices. Globalization has also been a significant contributor to construction stakeholders growing the operational practices as ideas are exchanged between joint venture partners from different parts of the global construction marketplace.

**3. Technology** – If you haven’t noticed yet, there is a technology explosion within the community that designs, constructs and operates the built environment. The following are some areas of technology that you should be keenly aware of as they are improving productivity and reducing risk, thus making the bids of your competition more competitive. Here are a few technology categories:

- a. technologies that vet design documents for accuracy
- b. technologies that assess the accuracy of your proposed project schedule
- c. technologies that reduce the risk of worker injury and speed up worker rehabilitation
- d. technologies that replicate the as built project (in real time) and compare it to the underlying design/BIM model – they can even identify defective workmanship

- e. technologies that inventory all data in an immutable format to ensure there is a single source of project truth
- f. technologies that can provide real time weather reports with micro accuracy within the hundreds of metre range – precise weather can limit risk significantly
- g. technologies that can sense water damage before it gets out of hand
- h. technologies that can ensure your subcontractor and suppliers are up for the job you have given to them
- i. technologies that monitor the post-construction asset and provide predictive maintenance warning to help ensure the asset is operating on budget

These are but a few of the technology categories that your competition could be utilizing to improve productivity and reduce risk in order to gain an unfair advantage when bidding against you.

**4. Engineered Solutions** – Manufactured construction, top-down construction, enclosed jump-from systems, and floating foundations are just some of the engineered solutions that could be used by your competition to gain an unfair advantage.

**5. Supply Chain Solutions** – The globalization of construction has opened up many new supply chain markets that contractors are accessing in order to create unfair advantages around pricing of manufactured components and materials used for the construction project. Further contractual strategies are being utilized to optimize pricing for labour & materials used for the project by tapping into the suppliers and raw material providers at a more leveraged entry point.

**6. Construction Materials** – Several new construction materials have been introduced to the construction marketplace including cross-laminated timber and self-healing concrete. In addition, the way in which materials are transformed into components of the construction project have changed – think 3D printed materials. Monitoring of these new materials, and the methods to bring them into the job, need to be monitored to ensure you remain competitive.

The field is not level in today's construction marketplace and your firm should be diligent when it comes to assessing the "right job" for your company to pursue. You should not only know your advantages and disadvantages but should try your best to understand the advantages and disadvantages of your competition. Compiling as much knowledge about how level your playing field is going into a new job and establishing a strong "go or no-go" vetting process, will help you take advantage of your strengths, exploit your competition's weaknesses, and win successful (profitable) work for your firm.

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Aon plc (NYSE:AON) is a leading global professional services firm providing a broad range of risk, retirement and health solutions. Our 50,000 colleagues in 120 countries empower results for clients by using proprietary data and analytics to deliver insights that reduce volatility and improve performance.

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