

Marketing Program Management Services

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Abstract

The goal of Program Management (PM) firms is to deliver a completed project, which meets the client's objectives. By focusing on specific functional use areas, PM firms provide project owners with the specialized knowledge and services required by ever increasing complexity of construction projects with the objective of delivering projects within budget and on schedule. This study was undertaken to identify effective methods for marketing services by PM firms. Performance criteria used by project owners in the selection of a PM firm were used as the basic tool for achieving study objective. This paper provides a rationale for aligning PM firms with project owner expectations who are the intended audience of this study. This paper will benefit PM firms as well as project owners by illustrating the basis and impact of a close partnership on delivery of a quality project and to meet client's expectations. This study shall also enable project owners to better understand value of the services provided by their PM firm.

Key Words: Construction Management, Project Management, Procurement, Marketing, and Business Management

1. INTRODUCTION

By focusing on specific functional use areas Program Management (PM) firms provide project owners with the specialized knowledge and resources required by the increasing complexity of construction projects with the goal of delivering projects within budget and on schedule. Project owners have different criteria for measuring performance when compared to those of the designers and general contractors. Project owners hire a PM firm in an effort to retain the services of an advocate. These owners are increasingly interested in PM firms because of their desire to be represented by a qualified team who possesses necessary expertise for a particular type of a project. While owners are desirous of being ably represented from inception to commissioning of each construction project, they would prefer to avoid the operating expenses associated with long-term employees who possess the requisite expertise for a specific construction project. The program management process allows the owner to have greater control of each project as the PM team possesses the expertise needed to manage a project, phase-by-phase and step-by-step. Sahlin (1998) emphasizes that the most vital skills in construction process are management and leadership. The management skill will allow the team to relate to the project owner and with the aid of leadership, guide the project team from an unstructured process to successful project execution and completion.

In an effort to continually increase their market share PM firms must be able to distinguish themselves by understanding and exceeding client expectation. The study objective was to identify effective methods of marketing services offered by PM firms. PM firms need to have a skill set and ability to improve client satisfaction by offering market specific services through sharper understanding of each client's expectations.

According to Peters (1992), “Marketers say that if we understand our customers deeply enough and gear our efforts towards satisfying them, everything will come out right.” With a proactive approach PM firms can provide the direction of a qualified program manager at the earliest stages of a project.

This study is relevant due to the changing role of Architects and General Contractors as a result of the increasing complexity of construction projects. With increasing frequency owners tend not to have long-term employees available for the number of construction projects that they are involved with annually. PM firms, allow owners to supplement existing staff on a project-by-project basis to ensure project success. According to an earlier researcher, “The owner is extremely interested in knowing that the building project functions properly for the intended use and is free from long-term defects or lingering maintenance problems” (Sanvido 1992). Additionally, PM firms must market to potential clients in an effort to increase market share and ensure future projects. These firms prefer to use marketing dollars in the most effective manner possible. Through better understanding of client’s business goals and their value system PM firms have the ability to increase the success of future marketing efforts.

Results from this study will enable PM firms to market their services more effectively and to improve the probability of client retention resulting from quality customer service. The study results shall assist PM firms by increasing the return on investment (ROI) for the marketing efforts. Bonoma (1989) stated, “After all, those massive marketing expenditures and fancy programs may be doing something that could not be done at less cost or with better results another way...performance is not an absolute thing. The success of a marketing campaign has a great deal to do with top managements expectations versus results obtained. Additional factors are the effort expended to attain those results and, obviously, elements in the marketplace-like the competition.” One major contribution from his study is the rationale of hiring PM firms for construction projects, factors for their retention for future projects, and precise definition of client expectations.

2. RESEARCH METHODOLOGY

Survey sample consisted of prospective clients or owner representatives who were all intending to hire a program management firm to manage construction of their projects. These client or owners were seeking PM firms to construct projects belonging to five target market areas described below. The primary qualification of each respondent was that they were all decision-makers in their respective organizations for hiring a project management firm. After categorizing project owners as existing, prospective or market related, phone interviews were conducted using a structured questionnaire submitted to 40 project owners representing select target markets. The five target markets represented in this study were (1) Hospitality; (2) Higher Education; (3) Medical; (4) Airports, and (5) Government. The list below identifies the prospective PM clients whom were invited to participate in this study.

Hospitality
Marriott Corporation
Amelia Island Plantation
Hilton Hotels
Rosewood Hotels & Resorts
St. Regis Hotels
White Lodging Service Corp.
Hyatt Development Corporation
Secondary Education
University of Alabama
Clemson University, South Carolina
University of Virginia
University of Georgia
University of Florida
College of Charleston, South Carolina
Virginia Tech and State University

University of South Carolina
University of North Carolina
Medical University of South Carolina
Medical
Children's Healthcare of Atlanta, Inc. -Atlanta, Georgia
Northside Hospital-Atlanta, Georgia
The Methodist Hospital-Houston, Texas
Orlando Regional Medical Center-Orlando, Florida
Duke Medical Center-Durham, North Carolina
Parkland Medical Hospital-Dallas, Texas
Airports
Metro Nashville Airport Authority-Nashville, Tennessee
Regional Airport Authority-Louisville, Kentucky
Tampa International Airport-Tampa, Florida
Birmingham Airport Authority-Birmingham, Alabama
Charleston County Aviation Authority, Charleston, South Carolina
Louis Armstrong New Orleans International Airport-New Orleans, Louisiana
Memphis-Shelby County Airport Authority-Memphis, Tennessee
Metro Washington Airports Authority-Washington, D.C.
Savannah/Hilton Head International Airport, Savannah, Georgia
Government
City of Orlando, Florida
City of Roswell, Georgia
DeKalb County, Georgia
U.S. Army Corp. of Engineers
City of Alpharetta
Southern Division Naval Facilities

The survey participants represented the target industries in the following percentages: (1) Hospitality-8%; (2) Higher Education-46%; (3) Medical-23%; (4) Airports-23%, and (5) Government-0%. The survey had an overall response rate of thirty-two percent (32%). Sixty-two percent of the survey respondents were project owners and possessed prior experience of working with program management firms.

Based on responses received from project owners surveyed, the data collected was sorted and organized by employing a scoring system to quantify responses. Findings from the study are presented in the form of tables and figures provided in the results section of the paper. The results enumerate most valuable services provided by a PM firm. Project owner's expectations and deliverables from a PM Firm are also discussed in results. Results also include criteria and factors that are commonly used by project owners for selection of a PM firm. Together these results can be used to identify the most effective marketing strategy for services and products that are offered by PM firms.

3. BACKGROUND

This study is part of a continuing endeavor to establish criteria for PM firm selection, identify competition, evaluate past performances and establish effective methods to market PM services. Similar studies have been conducted to evaluate corporate effectiveness in the home purchase and consulting engineering fields. Dahlen (2001) stated, "the most important element of project preparation is a completely developed project execution plan." With a better understanding of clients' goals PM firms can more effectively plan their services and create better plans for delivering projects on schedule and within budget to satisfied repeat clients. Faniran (1994) stated that, "planning reduces the dissipation of unproductive efforts by focusing on specific objectives and goals." By identifying their own areas of weakness a firm "may improve on these areas to enhance the quality of services for

their clients" (Tang 2003). Careful selection of marketing media could create opportunities with new clients within target markets.

4. RESULTS & INFERENCES

By continuously improving the level of service provided to existing clients, PM firms are able to increase their market share and brand image. As a part of their strategy to penetrate new markets, PM firms will have to distinguish themselves from their competitors by offering a project team with appropriate project experience relevant to the needs of the new market as well as previous working relationships with project owners. According to Faniran (1994), "Planning can be defined as the process of determining appropriate strategies and means for achieving specified objectives and goals."

Survey results identified common needs for services of a PM firm. The most frequent need for service is project complexity followed by the need to supplement existing staff and finally the projects that are beyond staff qualifications. This information and additional needs for services are reflected in Figure 1.

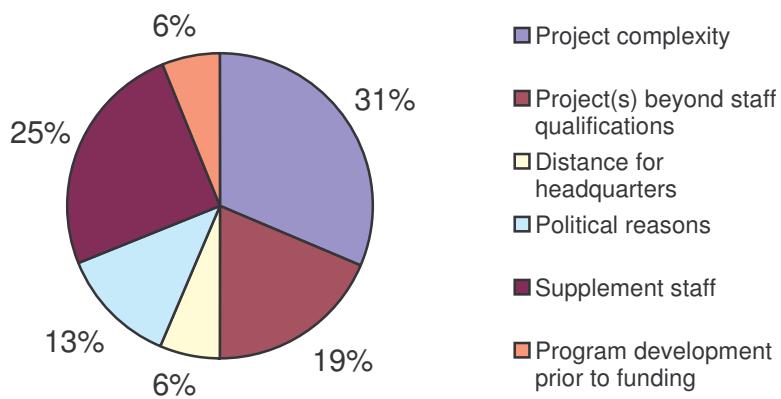


Figure 1: Perception of Needs for PM Services – Client Survey

RESPONSES

The survey clarified major issues that should be addressed through the services rendered by a PM Firm. The above services are generally sought by most clients who hire PM firms. As a method to maintain the project owners understanding of project progression PM firms provide deliverables on a regular basis. In program management the two most important service expectation areas are cost estimating and schedule management to fulfill the business venture viability needs of the owner. Quality of the constructed project and professional representation of the owner with all lending and government institutions are other expectations from PM firms. Table 1 provides a work breakdown structure for PM services expected by a client.

Table 1: Work Breakdown Structure of PM Services – Client Survey Responses

PM Services Rendered	Percentage
Cost estimating	35%
Scheduling	30%
Insure project quality	15%
Professional representation	15%
No expectations	5%

Table 2 provides a brief list of reports delivered to a client by PM firms periodically. The most important are those related to cost growth, progress, schedule variation, and a recovery plan for schedule delays and cost growth. Some clients require value engineering to be done on a periodic basis to control cost growth. Some clients also require detailed short term schedule and some would like to share all types of reports through a project dedicated web-site.

Table 2: Deliverables Expected by Client – Client Survey Responses

Deliverables	Percentage
Updated budget status versus original budget	25%
Monthly progress report	21%
Updated schedule versus original schedule	21%
Recovery plan for schedule and budget	13%
Detailed short-term schedule	8%
Web-based reporting	8%
Request for Information (RFI) log	4%

Prior to retaining the services of a PM firm, owners generally establish criteria for selection of a PM firm. Table 3 represents the most commonly used criterion used by owners for selection of a PM firm.

Table 3: PM Firm Selection Criteria Factors – Client Survey Responses

Factors	Percent (Weight)
Similar project experience	40%
Team members & Presentation	27%
Cost of services	13%
Experience in region/state	7%
PM Firms approach to providing services	7%
Rock, Paper, Scissor	7%

Changing trends in the construction market lead to the evolution of PM firms. As the number of PM firms grows some contractors have also started offering a wider array of services, including those generally offered by PM firms today. As a result the survey participants (clients) were asked, “What if a general contractor (GC) were to offer PM services, what would your reaction be?” The results of the survey responses received are presented in Figure 2. While forty percent respondents (40%) expressed no strong concern, thirty percent (30%) did not favor the idea due to conflict of interest. Twenty percent (20%) respondents agreed that contractors can expand their array of services to include services generally provided by PM firms. Ten percent (10%) of those surveyed disagreed completely with the idea of contractors providing services offered by PM firm.

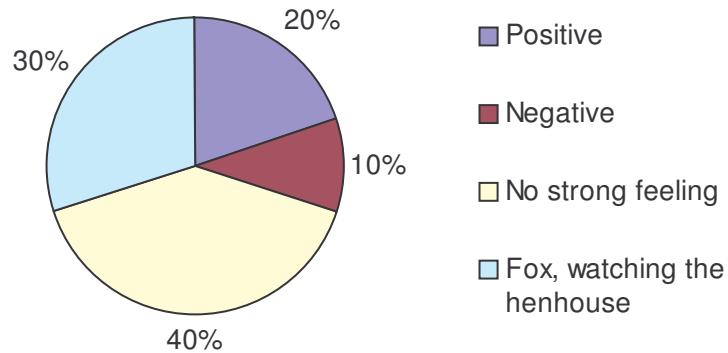


Figure 2: What if GC Offers PM Firm Services? Client Survey Responses

CORE AREAS FOR MARKETING PM FIRMS

While seeking new clients a PM firm needs to examine various marketing means available to determine the most effective way of improving their chances of being hired by potential clients. Figure 3 provides results of a survey questionnaire administered to PM firms to prioritize three key components of marketing PM firms. Survey responses indicated that one on one discussion between client and PM firm's program manager was found to be the most important factor determining that resulted in their selection for a project. Qualifications package prepared by the PM firms was found to be the second most important factor when considering selecting a PM firm by only a slim margin. Interview of project team members by the client could be the deciding factor in some cases.

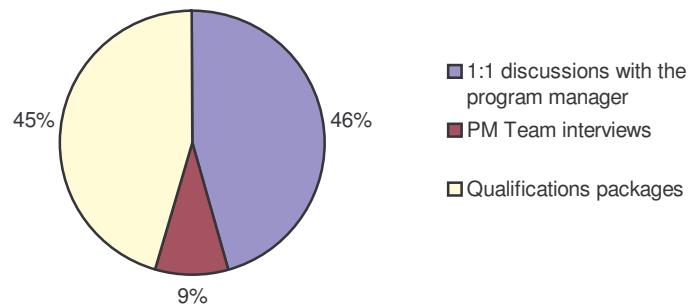


Figure 3: High Value Marketing Methods for PM Firms

Figure 4 provides results of those marketing methods that have marginal or no value in discerning whether a prospective program management firm will bring their organization value. Conventional marketing techniques like advertisements, multicolored brochures, and telephone calls had marginal impact on clients in terms of improving chances of PM firm selection.

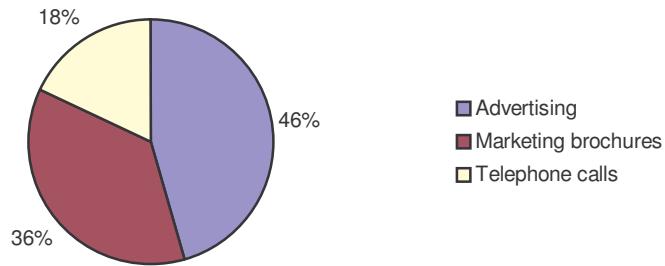


Figure 4: Marginal Value Marketing Methods for PM Firms

By taking into consideration client service expectations, deliverables, and high value marketing methods PM firms can redirect their financial and personnel resources to maximize their return on investment.

5. CONCLUSIONS

The findings of this study will empower PM Firms to better market their organizations and continue to increase their market share by understanding client expectations and type of deliverables needed. The PM Firms will also need to focus on high value marketing strategy for business development that corresponds to client expectations best. The main challenge facing PM firms when competing for clients is the firm's ability to identify prospective clients' needs and priorities in hiring and retaining a PM firm. The findings of this study can be used by PM firms for future marketing of their organizations. Findings from this study are also applicable to general contractors and design professionals as they continue to compete for the services they offer and learn from previous successes for repeat work and client retention.

Key lessons learned from this study are summarized below for managers of PM firms to better market their services. Prospective clients need Program Managers due to project complexity and/or lack of in-house staff capability seventy-five percent (75%) of the time. Prospective clients expect quality service in areas of cost estimating, scheduling, professional representation skills, and project quality from their program managers.

Eighty-two percent (82%) of the survey respondents considered conventional advertising including preparation of marketing brochures of marginal value for PM firms.

Ninety-one percent (91%) of respondents consider face time and qualifications packages as most valuable in making a decision to hire a PM Firm. While forty percent respondents (40%) expressed no strong concern, thirty percent (30%) did not consider contractors expanding to offer PM services as a good idea due to conflict of interest.

Competition between top firms and the variety of potential markets prevents one firm from dominating the PM market in its entirety. PM firms must continue to align themselves with project owners in an effort to maintain a fair balance between the project owner and the General Contractor.

The findings of this study are also applicable to most consulting firms as they strive to distinguish themselves from competitors and expand their client base. Savolainen (1999) summarized it, "the wishes and demands of customers change, but an ideal goal shows the way to meeting and exceeding customer expectations."

6. RECOMMENDATIONS

By combining prospective client service expectations and deliverables with those marketing efforts, identified as of high value, PM firms can direct their financial and personnel resources to maximize their return on investment. PM firms must continue to align themselves with project owners in an effort to maintain a fair balance between the project Owner and the General Contractor. Based on the findings from this study some specific recommendations for PM Firm's marketing are as follows:

A PM firm's sales story should highlight their differentiation in the marketplace and particularly from General Contractors. Invest additional marketing resources in face time with prospective clients and in good qualifications packages as opposed to the use of marketing brochures and advertising. Focus resources e.g. time & dollars towards prospective clients with lack of staff capability to handle PM and towards more complex projects.

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