

The 6 Common Proposal Mistakes And How to Fix Them

“What!? What do you mean we are eighty percent complete with the contract and do not have a design concept?” The principal of the firm yelled. “Adjust the agreement!”

“I tried,” my fellow project manager replied. He pulled a piece of paper out of the project binder. “The client says we haven’t kept up our end yet.” He pointed to the project description on the agreement.

We will design a common accessory dwelling unit to fit your needs, and provide all the required documents.

“The client says we haven’t designed a house to fit his needs,” the PM cried, “But we have given him like ten schemes!”

“How many schemes are we contracted to provide?” I asked. They both looked at me as if I had spoken a foreign language from another world. “Under Schematic Design, how many schemes and how many revisions did we say that we would give them?”

“Mike, you don’t understand, this is a simple job,” the principal said. “We should have completed it within a week.”

“Obviously not if we are \$10,000 into a \$12,000 contract and we do not even have a schematic concept” I replied. “I hope we changed the terms to be in our favor.”

Your business depends on your proposals and it is important to remember that these essential documents are a communication tool. These seemingly simple documents are tasked with a number of responsibilities: show client’s what your services are worth, communicate your understanding of the scope of work, define the terms of the agreement, and set the stage for the professionalism of the project. They should also make sure that your business is protected and structure the negotiation phase to focus on value, not price.

How to make your proposals do all this is the topic for a book, but there are some very basic things that are overlooked on proposals that can greatly increase your bottom line. If you will take the time to consider these topics when writing your proposals you will position your team for success on every project. These items by themselves seem small and insignificant, but fixing each one will exponentially affect the end result.

1. Using “hourly” fees with a quoted price

We all want our clients to have an idea of the “final” price for our services. The reality is that there are places where we cannot accurately determine what we will need to do in order to get the desired result. You are not alone in this. Every firm struggles with the best way to deal with this. Many firms think it is best to quote a price and then put the term “hourly” after it. This makes it seem defensible if the task takes longer than expected. However, the problem with this approach is that the client only sees the quoted price, and when you come back asking for an amendment to the agreement they feel like you did not hold up your end of the agreement. Other clients feel that they should not be paying for your time; rather they are interested in the end result that you promise to provide. Besides, estimating your costs is your business and you agreed to provide the services for “that” price.

So, what can be done to mitigate this scenario? If you listen to the complaints around this topic you will find that they all revolve around the fact that you gave them a quoted price. But what are the alternatives? If you were to quote the amount of assumed hours, would the problem persist? Is it different if you name the task or phase and say, “18 hours assumed”? Is there a problem when you come back to the client and say, “we have used 16 hours in this phase and we think there is another five to go till completion.” Does that change the game? It does if you are providing value for the client. This is because the expectation is in “hours needed” to complete the project, not dollars. Another three hours above the agreement is not unacceptable. Now if you are 36 hours into the work and have not given the client any reason to believe you are providing value, you will be in the same place as when you used dollars. This strategy also provides flexibility for the scope to change. You just need to provide the expectation that the increased scope will take longer, i.e., more hours, to complete.

2. Not asking for a retainer

A retainer is a sum of money that serves many purposes. First, it is a sign of good faith that the client is financially responsible, and that they are serious about the project. Second, it should be the trigger that puts the project on a project manager's desk and into their schedule. Third, it gives your business a chunk of money to use that will be accounted for later. There are more reasons that are beyond the scope of this report, but let's explore these in more detail.

The retainer marks the point at which the client shows you and your team that they are ready to proceed forward. It is up to you to determine how much or how little work you are willing to put into the project before you receive the retainer. When the client has sufficient information to be comfortable to hand over the retainer, they trust that you are the right company for the job. They understand what the project will take to complete well enough to commit to the next steps. The project is no longer a "what if" statement. This means that the retainer should be sufficient enough to ensure this commitment. On very small projects a retainer for the full amount of the project is not unheard of, and can make sure that you get paid for the work. Your team needs to know that the client is serious about the project moving forward. In business this promise is in the form of cash.

There is a chunk of work that starts every project. The schedule needs to be put together, the directory filled out, a team strategy meeting needs to happen, and a project management plan completed. The retainer should act as the trigger for this activity. Only after your company receives the retainer should your team kick off this type of activity. At the very least the retainer will pay for this time should the project be put on hold or stopped entirely. The signing of the proposal is a weak commitment that it should really only be seen as an agreement to the terms in which your company does business. Your company doesn't run on weak promises, it needs cash.

Taking a retainer upfront gives you the cash to work with now. This can be huge when you are looking for new work. You get to choose when you would like to bill the retainer out, which gives you the freedom of when you get to use the money. Our suggestion is to bill the retainer at the end of the project. This gives you the assurity that the last billing is already taken care of and that you can bill for the work being completed as the project moves forward. This also means there is a good amount of time that you can use the money before it needs to get accounted to the project.

3. Not Leveraging deliverables

If your agreements are not outlining the deliverables that the client should expect to receive, then you may be leaving yourself open to scope creep. We all know that clients are interested in what they will receive for their money. You know that you do much more for your clients than just produce drawings; like advocacy, problem solving, and creative genius. The skill lies in knowing how to connect these intangibles to a deliverable in your agreements. These high value services are the real things that you should get paid for, but it is very hard to put a price on them that is justifiable. Furthermore, these are the things that you can't negotiate out, yet when you go into negotiations they are not even on the table.

The way to make sure that these services are being accounted for is to recognize the deliverable that they are closely connected to and make sure you are providing a specific number for each of these deliverables. For instance, you are likely to have a meeting with the jurisdiction when you are advocating for your client. Therefore, if your agreement noted how many meetings were expected with the city, then the advocacy is covered in those meetings. Further, if more meetings are required, then the agreement can be amended to reflect the increased scope. If you look hard enough you will find that you can connect all of the valuable services you provide to a measurable deliverable in your agreement. This simple action puts these services on the table at negotiations and puts up fences against scope creep.

4. Not leveraging contract “terms”

The terms in which you do business are not set in stone, and can provide some advantages when looked at through the right lens. There are typical clauses that when applied to different projects can provide a large advantage for either you or the other party. For instance, a small job that takes your office less than a week to complete has a typical 30 day net payment term. This is a common term, but the advantage to the client just became huge, especially if you are at the beginning of the payment cycle. They could have a full two months before they have to pay you. Now, this may not be an issue, especially if you know them and they are a good client, but if they are a new client and seemed price focused during the negotiations, then you could be looking at a potential collection issue.

We all too often forget that the terms in which we do business were set by us and can be adjusted when we need them to. This means that you can use them as an advantage to your clients in order to secure a big contract, or shift them to your advantage when dealing with a smaller contract. The important thing to remember is that the “common” terms are negotiable. Also, when you are looking at a master services agreement from a large client, their terms are negotiable as well. Most of the terms in a master services agreement have been written up to the advantage of the client, but if they make you uncomfortable then they should be discussed and negotiated.

Make sure you discuss which terms can be adjusted and in what ways with your attorney before you start changing them in your agreements. These terms are in place to keep your business safe and you want to make sure that any changes you make will be defensible if required.

5. Offering services not in your wheelhouse

This mistake is sadly one we see too often. In an effort to support our clients, make a little “extra” income and maybe even learn something we take on tasks and work that we really shouldn’t. Many of these things can be justified as directly connected to our industry, and after all the more we know how to do the more valuable we are to our clients, right?

The reality is that our clients do not need us to perform market studies or building maintenance. And it is not in your best interest to take on these services for many reasons, the foremost being that you are likely to lose money. When you are performing services that your team has no experience with, you will be paying for them to gain this education. This education is going to cost you profit, and possibly more. Not only is the education expensive there is an opportunity cost that you are losing as well. What if these employees were working on a task they are really efficient at and that makes you a lot of profit? The likeliness of your team performing poorly and the relationship with the client being damaged is pretty high when you take on work you are unfamiliar with, which can be a tragic end to a great partnership.

It really cannot be stressed enough that you should not take services that are too far from what you are great at. Your business is defined equally by what you won’t do as it is by what you do well. Consider it being a good business partner to let your clients know that you do not perform these

services, but are happy to help them find someone who does it well. After all, if they needed heart surgery you wouldn't volunteer for that!

6. Vague Scope Requirements

I learned this lesson early in my career when I was scolded in the conference room by my boss for letting a project double in size due to client requests and revisions. A senior care facility that the principal and the client agreed would only be 10,000 square-feet grew to almost 20,000 square-feet. The major problem was that the square footage was not stated in the scope of work section of the contract. The principal was trying to renegotiate with the client for a larger fee because of the increased scope.

The scope defines exactly what is expected of your firm. It is the expectations for the project, and clearly defining it can be the difference between a healthy profit and a dip into the red. We all have a tendency to rush through an agreement for small “bread-and-butter” work, but it does not take much for these projects to get out of control and burn a lot of the fee. Further, no one likes renegotiating an agreement.

The truth is that you really should not ever have to ask your clients for more money. A clearly defined scope of the project and scope of your work is easy to target, and more importantly this makes it easy to catch scope creep before the work is started. State directly the project's number of stories, square-footage, rooms, level of detail, and any other factors that you have discussed with the client. Then, clearly define the deliverables as we discussed above and any other variable project task that is often requested. After this, you just need to make sure that your staff knows what these expectations mean and what they are expected to do.

Correcting these six common mistakes in your proposals will make a huge difference to your bottom line. More than that, they will help to protect your company and your team. Your company will become known for what they do well, and your team will enjoy the work they do. The truth is that proposals are a key communication tool that can be altered and adjusted to fit the client, and they can even persuade the clients to purchase.

Your proposals should outline the best way forward for both the client and your company. They should provide fences for scope creep, layout the scope of work, and sell the client. Proposals can be written to speak to the client. Everyone has a buying blueprint. Some are price sensitive and others care more about the relationship. You can tailor your proposals to target these buyer types and increase your conversions.

To learn more about how you can better utilize these vital communication tools visit

<https://www.starbuiltconsulting.com/architecturalproposals>.

