

# ARDOT Newsletter

July 2023



## SUPPORTIVE SERVICES

- Construction Management Program
- Business Development Program
- Capability Statement Design
- Business Plan Development
- Technical Assistance



## Challenging a Fundamental Misconception About Grad Students

Examining the value of advanced degrees in the construction industry

While many companies make substantial investments in targeting and hiring undergraduate students, fewer consider graduate students due to a fundamental misconception about applicants who hold advanced degrees. By understanding this misconception, construction industry recruiters can open an additional pipeline for talent in the industry.

The fundamental misconception is that all graduate students are the same. In reality, graduate students pursue advanced degrees for a number of reasons and have a variety of expectations related to salary, job roles and the added value they bring to an organization.

Some graduate students are interested in complementing their undergraduate degrees in construction with an advanced degree to learn specialized knowledge related to more complex project delivery methods (e.g., public-private partnerships), innovative means and methods (e.g., use of drones to perform cut and fill measurements), or more advanced management topics that are not covered through their more general undergraduate degrees. These students may be interested in topics such as coordination of trades through the use of building information modeling (BIM) or automating site monitoring through the use of 360-degree cameras. Still, others are looking to transform the industry. They study cutting-edge research and are trained in the next generation of methods, processes, technology, and advanced applications in construction and design.

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## Eyes on the Prize

This has been a decade of unusual circumstances that no one could have predicted. Runaway inflation, materials shortages, supply-chain disruptions, job delays and cancellations, atypical weather events and a tight labor market have made it difficult, if not impossible, to estimate costs accurately. With profit margins lower than most contractors are comfortable with, job costs must be as accurate as possible.

Although it is common practice for estimators to pad bids to cover increases in materials, labor and operating expenses, companies may need to do more than this to turn a profit. They must also examine how to mitigate risks, reduce costs and better manage jobs.

### MITIGATING RISKS

A construction company needs to conduct a detailed project analysis before getting started, including assessing resources, materials and labor costs. Then, obtain quotes from different vendors and contractors for the best prices. Owners should create a project management and communication plan describing potential risks and mitigation strategies. Include information on the chain of command, what needs to be done in what order, who is responsible, who needs to be contacted and pertinent data about the project.

An escalation clause can help both owners and contractors manage costs by stipulating when and if a price increase or decrease can occur. Generally, an escalation clause establishes baseline, ceiling and floor prices. The baseline is the price in the contract, the ceiling is the highest price that can be charged and the floor is the lowest. Both can be stated as a percentage when a triggering event occurs. For example, if the price of a good or service increases by 5%, the contractor has the right to increase the price by no more than 10% above the consumer price index, producer price index or another objective index agreed to in the contract.

Some contractors use an escalation clause as a sales tool. For example, to win government contracts, which generally are awarded to the lowest bidder, a contractor might submit a bid with the actual price instead of the inflated price.

### REDUCING COSTS

Implement lean-builder construction principles to optimize projects for efficiency and reduce waste.

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## About The ARDOT

The goal of the DBE Supportive Services Program is to increase the number of DBEs participating on ARDOT contracts and facilitate the opportunity for DBEs to obtain contracts. The services are designed to:

- Assist established construction firms to move them from bidding as a subcontractor to bidding as a Prime Contractor to produce sound bids.
- Provide access to training increases DBE expertise in handling of daily business operations.



**CEI DBE Supportive Services**

**(800) 423-7058**

**[www.arbdesupport.com](http://www.arbdesupport.com)**