

BUSINESS MARKET ANALYSIS:  
*IMPROVING CONTRACTOR OUTREACH*

FHWA/MT-08-003/8187

*Final Report*

*prepared for*  
THE STATE OF MONTANA  
DEPARTMENT OF TRANSPORTATION

*in cooperation with*  
THE U.S. DEPARTMENT OF TRANSPORTATION  
FEDERAL HIGHWAY ADMINISTRATION

*January 2009*

*prepared by*  
Richard A. L'Hereux  
Blair Hendricks  
Emily Taflan

New West Strategies  
Helena, Montana



RESEARCH PROGRAMS

Montana Department of Transportation  
**MDT**  
serving you with pride



**MARKET ANALYSIS:  
Improving Contractor Outreach**

Prepared by  
Richard A. L'Heureux, Ph.D., CPCM

Helena MT 59601

Prepared for and with the cooperation of:

The Montana Department of Transportation (MDT)  
The Montana Office of Disadvantaged Business Enterprises (DBE)  
And  
The Federal Highway Administration (FHWA)

Contract Number: 307994

NOVEMBER 2008

**TECHNICAL REPORT DOCUMENTATION PAGE**

1. Report No. FHWA/MT-08-003/8187		2. Government Accession No.	3. Recipient's Catalog No.
4. Title and Subtitle <b>Business Market Analysis: Improving Contractor Outreach</b>		5. Report Date <b>November 2008</b>	
		6. Performing Organization Code <b>5401</b>	
7. Author(s) <b>Richard A. L'Hereux, Ph.D., CPCM, Blair Hendricks, Emily Taflan</b>		8. Performing Organization Report No.	
9. Performing Organization Name and Address <b>NewWest Strategies, INC PO BOX 1349 Helena, MT 59601-1349</b>		10. Work Unit No.	
		11. Contract or Grant No. <b>HWY-307994 Project # - 8187</b>	
12. Sponsoring Agency Name and Address <b>Research Programs Montana Department of Transportation 2701 Prospect Avenue PO Box 201001 Helena MT 59620-1001</b>		13. Type of Report and Period Covered <b>November 7, 2006 to October 31, 2007</b>	
		14. Sponsoring Agency Code <b>5401</b>	
15. Supplementary Notes <b>Research performed in cooperation with the Montana Department of Transportation and the US Department of Transportation, Federal Highway Administration. This report can be found at <a href="http://www.mdt.mt.gov/research/docs/research_proj/business_market/final_report.pdf">http://www.mdt.mt.gov/research/docs/research_proj/business_market/final_report.pdf</a></b>			
16. Abstract <b>In 2006, the Montana Department of Transportation (MDT) in cooperation with the Office of Disadvantaged Business Enterprises (DBE) commissioned a market analysis with the intent of developing improvements in their contractor and vender outreach program(s). MDT selected New West Strategies, Inc. of Helena, Montana, under the supervision of special oversight committee with representatives from MDT and DBE to conduct the analysis and provide MDT/DBE with a "Marketing Tool Kit" that could be used to increase contractor and vender participation in MDT projects. In Phase One of the project, NWS conducted a triangulated market study to assess current environmental conditions; compare those results with current MDT/DBE capabilities, and develop improvement recommendations. In Phase Two, NWS used the data from Phase One to develop a marketing toolkit, which included a suggested market strategy, suggested improvements to the MDT web site, suggested outreach materials, and example checklists to facilitate contractor/vendor participation in MDT projects.</b>			
17. Key Words <b>Business Analysis, Outreach, Small Business, Disadvantaged Businesses, Highway Opportunities for small business, economic analysis</b>		18. Distribution Statement <b>Unrestricted. This document is available through the National Technical Information Service, Springfield, VA 21161.</b>	
19. Security Classif. (of this report) <b>Unclassified</b>	20. Security Classif. (of this page) <b>Unclassified</b>	21. No. of Pages <b>120</b>	22. Price

## **DISCLAIMER**

This document is disseminated under the sponsorship of the Montana Department of Transportation and the United States Department of Transportation in the interest of information exchange. The State of Montana and the United States Government assume no liability of its contents or use thereof.

The contents of this report reflect the views of the authors, who are responsible for the facts and accuracy of the data presented herein. The contents do not necessarily reflect the official policies of the Montana Department of Transportation or the United States Department of Transportation.

The State of Montana and the United States Government do not endorse products of manufacturers. Trademarks or manufacturers' names appear herein only because they are considered essential to the object of this document.

This report does not constitute a standard, specification, or regulation.

## **ALTERNATIVE FORMAT STATEMENT**

MDT attempts to provide accommodations for any known disability that may interfere with a person participating in any service, program, or activity of the Department. Alternative accessible formats of this information will be provided upon request. For further information, call (406) 444-7693, TTY (800) 335-7592, or Montana Relay at 711.

# TABLE OF CONTENTS

Section	Page
Title	i
Technical Report Documentation	ii
Disclaimer	iii
Table of Contents	iv
List of Tables and Figures	v
Executive Summary	1
Project Methodologies	5
Situational Analysis	9
Constituent Feedback	32
Interpretation of Results	36
Business Opportunities	40
Challenges	48
Recommendations	52
Analysis Conclusion	56
Conclusion	58
References	59
APPENDIX 1 - Interviews	A1-1
APPENDIX 2 – Frequency Tables	A2-1
APPENDIX 3 – Business Opportunities	A3-1
APPENDIX 4 - Suggested Market Strategies	A4-1
APPENDIX 5 – Contractor Checklists	A5-1
APPENDIX 6 – MDT Checklists	A6-1
APPENDIX 7 – Materials Distribution Strategy	A7-1

## LIST OF TABLES AND FIGURES

Tables	Page
TABLE 1: Summary Matrix of Methodological Descriptions .....	6
TABLE 2: Employment Trends by Industry .....	16
TABLE 3: Department of Transportation Procurement Forecast .....	19
TABLE 4: Montana Budget .....	40
TABLE 5: Interview Results .....	A1-1
TABLE 6: Summary of Individual Responses .....	A2-1
TABLE 7: Summary of Written Comments .....	A2-8
TABLE 8: The Ability of Length in Business to Predict Whether One Will Do Business with MDT .....	A2-11
TABLE 9: Analysis of the Relationship Between Satisfaction and Number of Years in Business .....	A2-12
TABLE 10: Service Opportunity .....	A3-1
TABLE 11: Commodities Supply Services .....	A3-3
TABLE 12: Contractor Pre-Participation Checklist .....	A5-2
TABLE 13: Sources for Finding Out About Government Opportunities .....	A5-3
TABLE 14: Proposal Preparation Checklist .....	A5-5
TABLE 15: Contract Administration .....	A5-8
TABLE 16: MDT Pre-Qualification and Registration Checklist .....	A6-2
TABLE 17: Providing Assistance with Business Development .....	A6-3
TABLE 18: Sources for Finding out About Government Opportunities .....	A6-4
TABLE 19: Assessing Your Contracting Assistance Program .....	A6-5
TABLE 20: Educational Offerings Assessment Checklist .....	A6-7
TABLE 21: Recommended Distribution Matrix .....	A7-2

TABLE 22: Advantages & Disadvantages of Various  
Distribution Methodologies

..... A7-4

Figures	Page
Figure 1: Study and Development Process Model	5
Figure 2: Unemployment Statistics	15
Figure 3: Outreach Development Model for MDT	A4-2



# **MONTANA DEPARTMENT OF TRANSPORTATION (MDT)**

# **MARKET ANALYSIS**

## **EXECUTIVE SUMMARY**

The Montana Department of Transportations (MDT) mission is to serve the public by providing a transportation system and services that emphasize quality, safety, cost effectiveness, economic vitality and sensitivity to the environment. To accomplish this mission, MDT relies on the expertise of contractors who deliver the necessary support services from civil engineering to construction of transportation facilities to painting to providing office supplies. While MDT has done an excellent job of procuring valued services, they seek to find even better outreach solutions.

### **Background**

On November 7, 2006, New West Strategies, Inc. (NWS) was awarded a contract. The purpose of the contract was to assist the Montana Department of Transportation with a study of their educational and contractor outreach programs. As part of their continuous process improvement efforts, MDT will use this study to refine its educational and outreach programs; which in turn, it is hoped, will raise the level and quality of contractor participation in MDT sponsored projects.

The contract outlines seven specific tasks to be accomplished by the study. Those tasks began with a study of current MDT efforts to promote and encourage contractor participation, and culminated with the development of an outreach strategy that is expected to result in greater contractor participation in MDT projects. New West Strategies solicited feedback from both the internal and external community. Based on the information gathered, New West developed and made recommendations on how MDT might make improvements to existing educational and outreach programs. Further, New West Strategies provided MDT with a marketing “Tool Kit” that can be used to help them achieve their marketing objectives. It is New West Strategies’ hope that this study and these materials will provide guidance and assistance as MDT works hard to advance the quality of transportation support to the citizens of Montana.

## Project Objectives

The primary objective of this research project was to evaluate MDT's current contractor support-service process to determine what changes could be made to improve the quantity and quality of contractor participation in MDT projects. This study generated recommendations for process improvements, to include process efficiencies improvements, MDT acquisition process improvements, external marketing process improvements, and stakeholder-education process improvements. Specific project objectives were to:

- Critically assess MDT's administrative and acquisition process to determine how well they support the specific needs of MDT, the State, and the supporting contractor community.
- Critically assess MDT's internal and external communication dynamics to determine how well they facilitate the efficient performance of MDT projects.
- Identify acquisition and project management processes that would improve the level and quality of in-state contractor participation in MDT projects.
- Develop recommendations for making improvements to contractor education programs and marketing materials that will improve contractor participation in MDT projects.

## Overview of Methodologies

In order to understand the effectiveness of the current MDT outreach program better, New West Strategies employed a triangulated, exploratory study of MDT operations, current outreach practices, and customer reaction to MDT outreach efforts. First, to understand the inner workings of MDT, NWS conducted face-to-face interviews with several key MDT employees. Second, to understand the environmental conditions in which MDT does business, NWS conducted a PEST analysis and modified SWOT analyses. Finally, NWS conducted a survey of contractors to assess their reactions and seek their input on how to better serve their needs. (See Project Methodologies on page 5 for a more detailed description of methodologies. See also Appendices 1 and 2 for a summary of the outputs.)

Being primarily exploratory in nature, this study's primary objectives were to develop improved marketing solutions and to determine what contracting opportunities were available at MDT in highway related fields. Consequently, NWS spent a great deal of time investigating the market, the environmental conditions affecting the market, current marketing practices, internal processes that affect marketing and branding, constituent reactions to current marketing, and organizational factors that might have an impact on the customer supplier relationship. Complimented by a review of current best practices, our results were then analyzed to determine if any emerging patterns might suggest a strategy for improvement.

## Overview of Analysis and Results

In preparing to make our recommendations, NWS did an extensive review of the current economic, political, and social literature in order to develop a sound appreciation for the current operating environment. Next, we took a look at current marketing best practices in order to learn more about how we might best direct future efforts. Then, NWS conducted face-to-face interviews with key MDT employees so we might develop a more complete understanding of the organization, its marketing processes, and its organizational approach to customer relations.

Our final collection activity was a survey of the supplier population. NWS was provided with a list of contractors working with or supplying goods or services to MDT. A random-selection from the list generated a list of 400 representatives of the supplier population. Schedule limitations compressed the period for response; however, 56 surveys were returned, 50 provided valid response data and we were able to maintain our analytical power objectives.

Our research suggested government organizations share many of the same basic branding needs experienced in the commercial markets. However, we also found government-marketing efforts differ in the purpose, the amount of funding to support marketing, and the extent to which it can interact with its customers/suppliers. Specifically, our research suggests:

- Government marketing and acquisition environments have several unique demands that materially affect how it approaches its marketing strategies.
- MDT organization and processes are sound but provide room for further improvements.
- Environmental factors have real and significant impacts on how MDT is funded, pursues its operations, and approaches its marketing efforts.

(See the following sections for a complete discussion of the study's research.)

## Overview of Recommendations

As a result of the research and analysis conducted for this study, four overriding themes have emerged and are reflected in the final section of this study.

- The marketing approach, while extensive, could be improved by tailoring the outreach to better fit the target audiences.
- The use of the internet as a major portal for information continues to grow. MDT's website tends to be rich in information but lean on user friendliness.

MDT could significantly improve its outreach by updating its website and making navigation easier and more constituent friendly.

- Simplified acquisition processes, particularly bidding processes, would make it easier for those new to Montana government contracting to participate. Development of easy to use checklists, cleaner reporting processes, and more project size appropriate processes would reduce acquisition costs and increase vendor participation.

The objective of this project was to develop marketing solutions that would improve MDT's marketing program and determine what contracting opportunities are available at MDT in highway related fields. NWS conducted a study of the market, the organization, and the constituencies serving MDT. Based on the study, we have developed a "Tool kit," which includes an outreach strategy, outreach materials, and some suggestions for effectively employing these tools to improve MDT's outreach efforts (see Appendices). This toolkit has been developed to address the specific challenges facing MDT. It is our position that implementing these recommendations will result in more effective outreach and increase the number of potential vendors available to provide support to MDT. Increasing the number and variety of suppliers has been proven to increase competition and over time to produce better market value.

## PROJECT METHODOLOGIES

Figure 1 describes the analytical design. Following the task breakdown provided by the sponsors, the design promotes a progressive understanding of the challenges facing MDT in developing its marketing approach. Further, it leads to the development of marketing materials based on a specific constituent feedback.

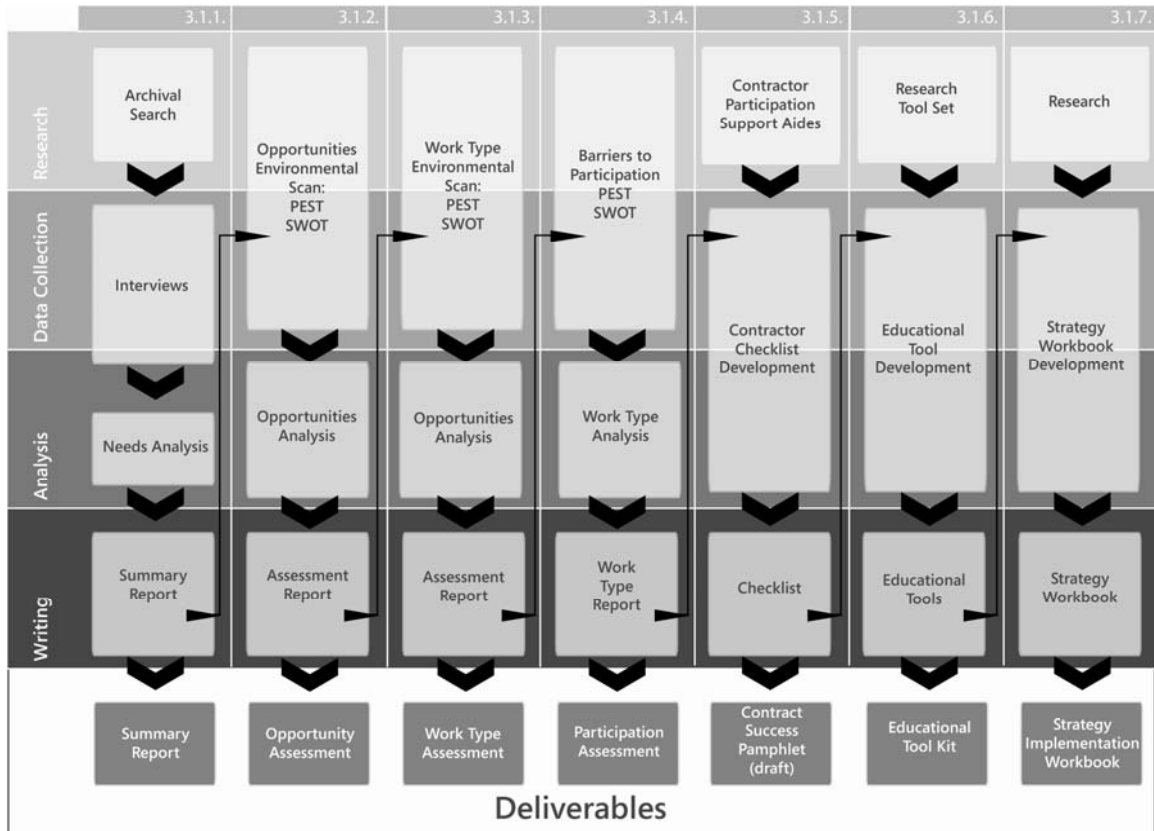


Figure 1: Study and Developmental Process Model

The research methodologies used in this study fell into four broad categories: 1) ethnographic survey of MDT employees and contractors, 2) PEST analysis of environmental factors, 3) SWOT analyses of MDT and contractor populations, and 4) market analysis of government transportation support services. The selection of methodologies was based on the concept of triangulation, which allows the analyst to overlap various diverse perspectives in order to better isolate discrete phenomenon. Each methodological approach was further supported by an examination of current research and popular news services to focus the investigative questions. Below is a brief description of each methodology, its application, and its contribution to the study.

Table 1 describes when each methodology was employed. It also describes the methodological approach and instrumentality used.

Table 1: Summary Matrix of Methodological Descriptions

Task	Description	Methodological Approach	Instruments/Processes
3.1.1.	Background Study/Literature Review	Ethnographic	Archival Interviews Surveys
3.1.2..	Analysis of Opportunities	Ethnographic Empirical	Descriptive analysis Modified P.E.S.T application Tailored S.W.O.T Analysis Opportunity assessment Interviews with DOT project planners
3.1.3.	Analysis of Work Types & Competition Analysis	Ethnographic Empirical	Description analysis Tailored S.W.O.T Analysis Trend analysis by work type
3.1.4.	Analysis of Barriers to Entry / Participation	Ethnographic Empirical	Archival Interviews with current contractors Survey of potential contractors
3.1.5.	Develop a checklist for contractors to improve chances of success	Ethnographic	Review of similar assistance tools Apply tool development process
3.1.6.	Develop educational tools to assist current and potential DBE companies wishing to participate in DOT projects	Ethnographic	Review of similar assistance tools Apply tool development process
3.1.7.	Develop a public information/education dissemination strategy that will effectively (measurably) increase contractor participation in DOT projects	Ethnographic	Review of similar assistance tools Apply tool development process

## Description of Methodologies

The objective of this study and project was to develop better marketing tools so that the Montana Department of Transportation (MDT) might improve its pool of potential suppliers. To accomplish that goal, New West Strategies sought to understand thoroughly the environment, best marketing practices, and similar efforts being conducted by state agencies (Montana and similar states) to promote vendor participation in state projects. The sections below are brief summaries of the techniques used and how they were used. Each method was selected to make very specific contributions to the study.

## Literature Search

The first step in an exploratory study is to complete a basic review of the literature. In this case, this meant examining existing information on marketing design, environmental

trends, advanced analyses, and business development in a government agency. The literature search provided NWS with an excellent background for our areas of interest and supplied a number of good examples for our marketing toolkit.

## Survey and Interview

By definition, this is an exploratory study designed to better understand the phenomenon before developing specific marketing responses. In an exploratory study, particularly one leading to improvements based on foundational attitudinal measures requires the investigation of basic constituent perceptions. (Emory, 1985) The term survey is often used to describe what is more properly called an ex post facto design. Our goal for this stage of the project was to understand the issue of vendor participation from the perspective of MDT and its suppliers.

We interviewed MDT employees in stage one. The interviews allowed us to sit down one-on-one with those most directly affected by the MDT acquisition process. Specifically, we used a structured interview with an open-ended final session. Selection of participants was provided by Mr. Craig Abernathy, MDT project supervisor. We interviewed each participant separately. Participants included representatives from the three acquisition teams within MDT, a representative from the project engineering team, and a representative from the DBE support team. Responses provided were used to help develop a picture of how MDT currently conducts business.

## PEST Analysis

A PEST analysis is used to measure *market*. Specifically, the PEST analysis measures market potential and climate, particularly as it relates to growth and/or decline; and thereby, provides investigators with insight into the market's attractiveness, business potential, and suitability of access, i.e., market potential and "fit". (NetMBA Business Knowledge Center, 2006a)

The acronym PEST is used to describe a framework for the analysis. Specifically, a PEST analysis provides information on a range of macro environmental factors including *Political, Economical, Social, and Technological* environment. Our PEST analysis provided valuable insight into: 1) MDT's external environment; and 2) the current climate of that external environment, given the international, national, state, and local environments.

*Political* factors directly affect the funding and support for transportation projects. Decisions made by the government will influence the operations of the department, its regulations, and the options it may have to pursue projects. MDT depends heavily on federal funding. Transportation infrastructure is a major national objective for the federal government; however, current international tensions are challenging that domestic objective, which makes it necessary to assess international priorities in order to determine to what extent they might affect the operations of transportation managers like MDT.

All businesses are affected by *economic* factors and MDT is no different. MDT is a public organization. Consequently, it depends on public funds. The strength of those public funds is tied directly to the health of the international, national and local economies. Whether an economy is in a boom, recession, or recovery cycle will affect upon the nature of competition for funds. If the competition from other national and state objectives is low, the better it will be for MDT to aggressively pursue its project priorities. (NetMBA Business Knowledge Center, 2006b)

*Social* factors include demographic changes, trends in the way people live, work, and depend upon transportation. Population growth rates, changes in fundamental business design, and/or shifts in cultural transportation needs are vital for determining the intensity of competition, availability of a workforce, and trends in business that might directly influence the demand for services.

Finally, *technological* factors, particularly changing construction approaches, emerging equipment technologies, and any changes in materials will affect project scheduling and costs, and, they often determine who and how well suppliers can respond to the demand of its customers, in this case MDT. Our investigation suggested that advances in construction techniques and fuel efficiency could improve MDT's productivity. It also may affect the cost of operations. What we know is that integrating these technologies will result in the entrance of new participants, which will influence how MDT approaches sourcing.

## SWOT Analysis

Generally, a SWOT analysis is designed to measure *an organization* rather than a market. In the instant case, we selected the SWOT analysis so that we might determine how organizational factors might influence MDT's ability to market to and attract potential service and product suppliers. NWS' SWOT analysis was designed to give us insight into MDT's ability to fund and pursue its marketing objectives. Assessing internal resources, including personnel, and investigating any competition for those resources allowed NWS to design a marketing solution tailored to fit MDT's current resources and needs. In addition to internal resources, NWS wanted to determine what federal, state, and association resources might be leveraged to complement any MDT specific marketing resources. In particular, we looked closer at the current marketing efforts of the MDT Disadvantaged Business Enterprise (DBE) support team. DBE, along with the Small Business Administration (SBA), provides assistance to government agencies and vendors to develop mutually beneficial partnerships. They also provide assistance with educating the potential supplier community on how to do business with government agencies. This synergistic phenomenon works well for improving the strength and success of MDT's marketing goals; therefore, we felt it was important to determine how to best leverage these assets to further promote MDT projects and encourage greater vendor participation.



## SITUATIONAL ANALYSIS

### PEST Analysis

The purpose of this PEST analysis was to study the State's transportation market. Before one can develop an appropriate marketing response, it must understand the market conditions affecting the movement of services and goods within that market. Below is a brief summary of what NWS found when it examined the State's transportation marketplace.

### Political

The Montana Department of Transportation (MDT) is an executive department embedded within a state government system and serves at the pleasure of the citizens of the state of Montana. Legislative bodies, which are political by nature, are responsible for setting MDT's project objectives, funding, and methods of operation. Further, the Montana Department of Transportation is an extension of the federal transportation system; which means that in addition to its state constituency, MDT must manage transportation objectives determined by the federal executive and legislative branches. As such, it is important to study both of these environmental factors before one can develop effective strategies.

- **Legislation:** Senator Max Baucus, senior US Senator from the State of Montana, writes, "Montana is a highway state and our jobs, economy, and way of life depend on a strong transportation infrastructure." (Baucus, 2007)
  - Senator Baucus was one of the key authors of the Safe, Accountable, Flexible, Efficient Transportation Equity Act: A Legacy for Users, commonly known as the highway bill. This bill will bring more than \$2.3 billion to Montana for highway construction projects and will help create and keep more than 18,000 jobs per year in the state. It represents a 44 percent increase for Montana over the last highway bill. This bill provides Montana with a stable and strong funding prospectus for long range planning, which in turn provides a good foundation for developing better operational solutions and improved acquisition practices. Specifically, FY 2007-2009 for Highway projections:
    - \$444.2 million for construction/reconstruction
    - \$40.4 million for rehabilitation and widening
    - \$146.2 million for resurfacing
    - \$36.2 million for safety and spot improvements
    - \$30.0 million for SPC projects
    - \$58.9 million for bridges
  - HB 529 (2007): In March 2007, the Montana House of Representatives endorsed a reduction in business equipment tax on equipment worth more

than \$20,000 and would raise the exemption to \$150,000. (Montana Main Street Blog, 2007) Businesses that service MDT often require large capital equipment investments; this reduction would improve their competitiveness and should serve to encourage greater investment in Montana transportation support services.

- SB 293: (2005) Reduces the tax on Gasohol to 85% of the current tax rate. The Gasohol tax rate is currently .2295 per gallon. The overpaid tax will be refunded to distributors after tax reports have been submitted and we verify the fuel came from a terminal that mechanically blends the ethanol with gasoline. (Montana State Legislature, 2005)
- HB 756: (2005) Provides a 10 cents per gallon incentive on each gallon increase of Biodiesel production over the previous year. The tax incentive may be claimed for 1) the first year's total production, 2) the production in the second year that exceeds the production in the first year, and 3) the production in the third year that exceeds production in the second year. This bill became effective July 1, 2005. (Montana State Legislature, 2005)
- HB 776: (2005) Provides for refunds of 2 cents per gallon to licensed distributors and 1 cent per gallon to retailers who sell Biodiesel that is produced entirely from bio-diesel ingredients produced in Montana. The refunds must be applied for within 30 days after the quarter ends. (Montana State Legislature, 2005)

While there are more related pieces of legislation, those listed above reflect a general environmental support for developing Montana's transportation infrastructure. Governor Schweitzer's commitment to building Montana's energy production and improved "greening" of state projects adds to the general optimistic projections for Montana's transportation service industry. Further, President Bush's tightening of homeland security has raised domestic infrastructure as a funding priority, which further improves the stability of MDT's funding support.

However, President Bush's concern over foreign oil dependency will increase the pressure for better fuel economy. There is no indication demand for transportation resources will decline for the next 20 years, which means consumers, including governmental agencies, will require more and better supported fuel alternatives. Fuels legislation are expected to affect MDT service and commodity needs; and, it is also expected those able to provide alternatives in fuels, equipment, or construction processes will be in an improved position to secure future MDT project opportunities.

The current Montana legislature has shared leadership, with the Democratic Party controlling one house and the Republican Party controlling the other. MDT's budget is nested within the Governor's budget and the federal budget. The 2007 Montana legislative session was marred to some extent by partisan politics, which forced a legislative special session. Further, delays in passing the federal transportation budget required the issuance of continuing funding resolutions, which restricts spending to previous year's levels until Congress approves the budget and issues the approved FY

2008 budgets. While MDTs funding was not impacted negatively, delays in funding distribution could influence new starts and may have had some effect on schedules.

- **Regulatory bodies and processes:** Montana's transportation oversight is regulated by federal, state, and local regulation. Of these, the Federal Highway Administration, Federal Aviation Administration, Federal Transit Administration and the Federal Department of Commerce have the greatest regulatory influence. Further, as a major recipient of federal funding, the Montana Department of Transportation's acquisition process is heavily influenced by the federal acquisition regulations. Methods of solicitation, selection processes, vendor qualification, bonding requirements, project administration, etc. are often determined by federal regulation. Suppliers and vendors must be capable of not only providing goods and services; they must be capable of satisfying the comprehensive regulatory requirements that accompany those supplying activities.
- **Other government policies:** Service providers to MDT are subject to the several federal, state and local regulatory policies governing performance standards, i.e., industry codes, safety, environmental protection, disposition of hazard materials, fair labor practices, and financial management practices. The administrative burden of maintaining proper compliance, record keeping, and security impose an even greater burden on those seeking to participate in MDT sponsored projects.
- **Government term and change:** Large, complex transportation projects often extend over several years; however, the terms of the elected officials responsible for developing national and state objectives often do not match the service terms of these projects. The national and state objectives that determine transportation priorities are subject to change as a result of shifts in the makeup of key executive and legislative bodies. Currently, the national priority for transportation is to develop a more efficient, reliable, and secure domestic infrastructure, tied closely with the President's declared War on Terror. Montana is most directly affected by homeland defense initiatives. In addition to improvements on major transportation links, Montana is receiving funds to improve border security, which means improvements in communications, facilities, and crossing stations. A shift in national priorities as the result of a major national election could significantly affect the current support.
- **Home market lobbying/pressure groups:** MDT must balance the demands of several diverse groups. With almost 73% of all US domestic freight moving along its interstate and highway systems, the economic health of the country depends on the health of its domestic transportation system. Montana is a major link between the West Coast and eastern United States and connects several major transportation hubs like Chicago, Minneapolis, Los Angeles, Seattle, Sacramento, Salt Lake City, and Omaha. It is critical to the domestic economy that MDT effectively and efficiently perform its responsibilities.

Business concerns are only one force exerting pressure on MDT. With demand for better homeland security, particularly from states with shared international borders are increasingly expected to step up border security support. Montana shares almost 425 miles of common border with Canada. This imposes special responsibilities for MDT, particularly for maintenance and security of northern tier roads and crossings. Border security presents additional opportunities, it also imposes unique requirements. With those special requirements there is the requirement for specialized employees and equipment that otherwise would not be needed for MDT to fulfill its operational support responsibilities.

Finally, MDT is subject to considerable regulatory oversight from the Office of Safety and Health Administration (OSHA), the Environmental Protection Agency, the General Services Administration, and diverse private industrial, labor, and environmental organizations. Increased emphasis on responsible, environmentally-friendly construction practices imposes an additional operational challenge on MDT and its suppliers. This challenge can increase schedules, production costs, and project administration. While funding for projects is strong, there has not been a similar increase in the funding for the human resources it takes to deliver these products. One solution has been to contract out more work. However, there appears to be a continual shortfall in both the funding and personnel needed to accommodate these specialized requirements.

**Section Summary:** *The political environment for MDT is complex. It is subject to the oversight of federal, state, and local authorities. Current national objectives include further improvements in Montana's transportation infrastructure, which suggests stable funding for the near future. However, instability in the composition and agendas of the legislative bodies responsible for setting policy does present some concern for MDT and its providers. Further, demands from homeland security agencies, environmental agencies, labor organizations, and public lobbying groups make participating in MDT sponsored projects challenging at best.*

## Economic

Perhaps the most significant impact on MDT's ability to perform its responsibilities is economic. Economic down turns and shifting national priorities affect funding; and funding affects project scheduling and cost management. Below is a brief summary of economic factors affecting MDT's budget, funding stream, and production timing.

- **International Economy:** There are two major influences affecting the international economy: 1) instability in the Middle East and 2) growing global trade. Instability in the Middle East, particularly unrest associated with the 9/11 terrorist attack on the United States, directly impacts energy trade. Since 2001, there has been a 200% increase in crude oil prices. Further, international tensions have eroded confidence in the free, uninterrupted supply of crude oil, which creates great instability and lower confidence in supply reliability. Each shift, up or down, in the intensity of conflict in the Persian Gulf results in a dramatic shift

in energy costs. These shifts in costs can affect: 1) production costs; 2) transportation costs; 3) national objectives (priorities); and 4) service delivery.

Second, there has been a steady growth in the level and intensity of international trade. China and the Pacific Rim continue to make significant advances in development of competing industries. This increase in global activity is having a direct impact on the value of domestic goods and the strength of the domestic economy. The value of the US dollar has fallen, albeit there has been some recovery, in the global market. Again, this economic shift has affected domestic resource availability. As China's economy grows, it also increases its demand for limited natural resources such as oil, steel, and production materials. This puts an additional strain on the availability and cost of critical production resources. Economies outside of China are already beginning to feel the effects as oil prices rise, resource scarcity increases, and competition intensifies.

- **US National Economy:** In general, the US economy has remained stable and is growing at a relatively strong rate. It is national priorities rather than capital that are having the biggest economic impact on domestic funding. The War on Terror, war in Iraq, and homeland security priorities are consuming more and more of the US federal budget. Many domestic agencies have experienced budget reduction, even during the post-budget approval cycle. Agencies outside of the Department of Defense, the Department of Homeland Security, and the Department of State are struggling to maintain their service levels as the result of these shifting national priorities. The US Department of Transportation and the Montana Department of Transportation have escaped many of these reductions. The close relationship between domestic security and the health of the transportation infrastructure has insulated these departments from many of recent budget cuts. However, the rising cost of goods, rising energy costs, and the redirection of domestic equipment production still impose a considerable threat to the domestic suppliers these agencies rely on to supply their service and commodity needs.
- **Montana Business Profile:** Economically, Montana is doing much better than most states in maintaining its economic strength. Unemployment is among the lowest in the country. Regional growth in and around its major cities (Billings, Bozeman, Missoula, Helena, and Great Falls) is strong and diverse. However, Montana remains primarily an agricultural economy with few large manufacturing or service businesses making significant contributions to its economy, which suggests that supply is tight and local capacity is potentially stressed.

#### Quick Facts from SmallBusiness.com: (US Census Bureau, 2007)

- Of the 34,570 firms with employees, an estimated 97.8 percent, or 33,801 were small firms.
- The number of self-employed persons (including incorporated firms) decreased overall by 0.1 in the last two years.

- Non-employer businesses increased by approximately 2 percent in the same period.
  - Net job gains among firms with fewer than 20 employees totaled 2,259, while large firms with 500 or more employees lost 2,015 jobs between 2001 and 2002.
  - Non-farm proprietors' income increased by 16.1 percent in 2003.
  - Business turnover increased by approximately .9 percent since 2004.
  - Business terminations increased by approximately 4 percent in the same period.
  - Business bankruptcies total 107 in 2004, 109 in 2005, and 108 in 2006.
- **Montana's Employment Profile:** Montana's unemployment rate is one of the lowest in the country at 2.3%. (US Census Bureau, 2007) Montana Department of Labor and Industry is predicting a moderate to excellent growth rate in areas of construction (0.7 %), transportation (9.7%), and services (16.2%) , with a substantial increase in information technology (56.9%) and a decrease in transportation equipment manufacturing (-15.2) through 2014. (Turner, 2007) Projections for specific occupations vary considerably through 2014, but key occupations such as project managers (4%), civil engineers (4.1%); equipment operators (5.2%); and traffic controllers (4.9%) suggest that the workforce opportunities will remain stable for the next 5 to 8 years. (Montana Department of Labor and Industry, 2007) (See Figure 2 on p. 15 and Table 2 on p. 16)

Changing demographics worldwide are placing a premium on human resources. The transportation industry competes in a tight labor market for these limited resources. Therefore, the industry has several human resources issues it must resolve in order to continue to adapt to the changing needs of its customers.

Transportation is a demanding industry that traditionally has been heavily unionized. This labor history carries with it a less elastic workforce in many of the highly skilled jobs, as constraints have made it impossible to keep pace with the gains of technology over the past century. In the less skilled jobs, turnover of personnel can reach 100 percent annually. Consequently, the industry bears a tremendous cost in recruiting and training employees. Keeping full crews for the trucks, trains, ships, and planes challenges even the best organizations in the industry. (Benn et al., 2001a)

The future supply of potential workers and service providers should be sufficient to meet the projected need. However, the rapid growth in information technology opportunities and energy industry opportunities in Montana and Wyoming may draw away future workers and further stress the number and availability of these critical skills. Wyoming is currently experiencing a moderate to severe shortage of skilled workers to support their rapid growth in oil development. They have begun aggressive recruiting campaigns in Michigan, Indiana, Ohio, and West Virginia in order to mitigate the lack of local skilled labor. Montana may face a similar challenge in the near future, particularly if energy exploration and development within the state continues to grow.

Notwithstanding the challenges presented by competing employment needs, Montana should continue to find sufficient manpower. Further, the optimistic employment forecast suggests Montana will enjoy a strong local economy for the next 5 years, which means a strong tax base and greater program stability.

If there is a cloud on the horizon, it may be in the area of state government support. The 15.9% growth rate in government employment is expected to be sufficient to manage expected project activity; however, it does represent an increase in cost of operations, which tends to compete with project funding. The real impact of this increase will depend on the health of the national economy through the same period. If the national economy remains healthy and funding for infrastructure remains strong, this should mitigate the growing operations cost associated with a growth in government. However, if there is a major downward shift in the national economy, funding for the Montana Department of Transportation may evaporate and create stress in both the supply and demand markets.

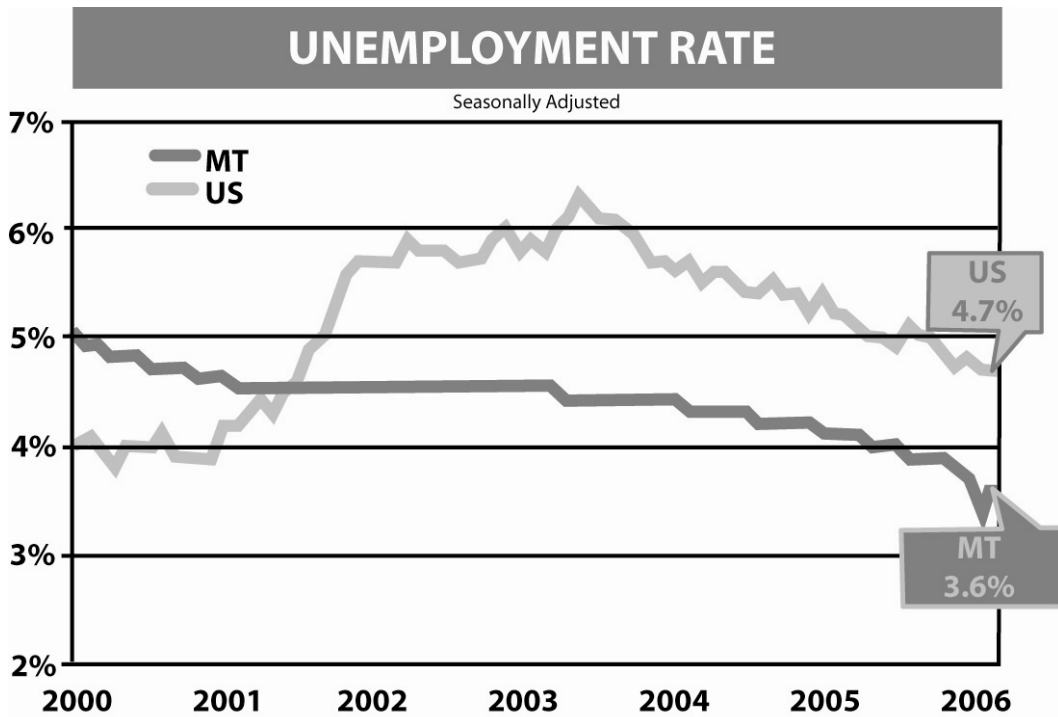


Figure 2: Unemployment Statistics (MT Deptment of Labor and Industry, 2007)

Table 2: Employment Trends by Industry (Montana Department of Labor and Industry, 2007)

Employment by Industry				
Industry Employment (In Thousands)	April (P) 2006	March 2006	Net Change	Percent Change
Total Non-Agricultural	428.6	429.2	-0.6	-0.1%
Natural Resources & Mining	8.0	8.1	-0.1	-1.2%
Construction	30.0	29.8	0.2	0.7%
Manufacturing	19.4	19.5	-0.1	-0.5%
Trade, Transportation, Utilities	88.9	89.1	-0.2	-0.2%
Information	7.6	7.7	-0.1	-1.3%
Financial Activities	21.8	21.7	.0.1	0.5%
Professional & Business Services	36.1	36.1	0.0	0.0%
Education & Health Services	57.5	57.6	-0.1	-0.2%
Leisure & Hospitality	56.0	56.0	0.0	0.0%
Other Services*	16.6	16.5	0.1	0.6%
Total Government	86.9	87.8	-0.9	1.0%
*These series are not seasonally adjusted (P) denotes preliminary figures				

Notes:

1. National statistics show a somewhat less robust growth in employment for the near term, which should make Montana more attractive for workers looking for greater employment stability.
2. National figures do not reflect all regional phenomena. Areas of the Eastern, Mid-Western, and Northwestern United States are experiencing slower economic growth, which tends to affect national figures. Areas of the Southeast, Mountain States, and portions of the Southwest are enjoying higher growth rates and greater population growth., making their regional economies somewhat stronger than the national economy.

- **Montana economy trends:** Montana appears to be going through the early stages of an economic shift, i.e., business growth, employment, and revenue appear to be shifting from an economy dominated by agriculture to one that is more diverse and eclectic. Bozeman and Missoula, both with major institutions of higher learning, appear to be experiencing significant growths in information technology (both in the areas of product and service development). Helena and Great Falls to a lesser extent are also showing signs of economic growth based on the expanding information technology market.

In addition to growth fueled by growing employment and revenue in information technology, Montana appears to be in the early stages of expanding its energy generation capabilities. Partially sparked by a growing demand for domestic energy resources, Montana is investing more and more resources in developing its energy production capabilities. Rising oil prices have made it economically feasible to recover previously unprofitable shale oil deposits, which means exploration and development of oil recovery in the Northeastern part of Montana is slowly increasing. Governor Schweitzer has encouraged the legislature to pass legislation that would



provide more support for the development of Montana's coal resources. From Great Falls to Havre to parts of Eastern Montana, there has been growing interest in developing Montana's wind generation capability. Taken together, this trend would suggest greater growth and diversity in Montana's energy markets.

Further developing Montana's energy resources has several implications for Montana's economy. First, developing these resources will increase the diversity of Montana's economic base, which will provide better resiliency for economic idiosyncratic variations in agriculture, information technology, and other sources of revenue generation. Second, development of energy sourcing, both in traditional and alternative energy sources, can reduce operational costs for both private and public energy consumers, which will make Montana-based businesses (private and public) more competitive. Third, development of energy production will result in more (and potentially better paying) employment alternatives for Montana residents. Finally, the development of energy production has the potential to increase growth in related industries such as education, construction, and service support, which further strengthens the employment and revenue generation potential of Montana based businesses.

- **Seasonality/weather issues:** Located in the Northern region, Montana is affected by seasonal interruptions. Construction activities are limited to approximately an eight month cycle, running approximately from March through November depending on the severity of the cold season. This can create challenges for service providers and employees as they experience reduced activity through the winter months. Maintaining an employee base can be difficult, particularly for small and emerging businesses.

Montana has also been experiencing moderate to significant drought conditions for the last seven years, which has resulted in competition for the transportation construction market. First, drought conditions increase the number and severity of wildfires. Fighting wildfires stresses the availability of equipment and human resources. Further, wildfires interrupt access to construction areas and/or affect construction practices. Finally, droughts and the associated increase in fire control activities often affect transportation funding as the State's contingency funding draws resources from existing budgets. Mountain areas affected by drought associated wildfires experience higher than normal soil erosion and increases rock slide activity, which results in higher than predicted road repair costs. Cumulatively, Montana's recent drought experience has had a measurable impact on road construction costs and schedules.

Montana's road maintenance, road repair, and road construction market is affected by seasonality and weather. For the most part, MDT project managers have been able to manage this variability well. However, higher than usual drought conditions, accompanied by higher and more severe wildfire activity, have affected the market for the last seven years. There are some indications, conditions are improving, but this environmental factor continues to influence MDT's ability to maintain schedule

and control costs. For the foreseeable future, this environmental factor will continue to affect MDT operations.

- **Specific industry factors:** According to the Bureau of Transportation Statistics, on a typical day, about 43 million tons of goods, valued at about \$29 billion, are moved on the nation's interconnected transportation network. (United States Department of Transportation, 2007) This system requires continuous effort to maintain and modernize. One of every three bridges is structurally deficient or functionally obsolete. Twenty-one percent of U.S. railroad track requires significant improvement. The American Society of Civil Engineers estimates that the nation must invest \$569 billion to repair and improve the U.S. transportation. (Benn et al., 2001b)

In addition, the new economy is increasing its dependency on the speed and dependability of the transportation system. E-commerce, which will grow six-fold in the next 4 years to \$108 billion annually, will increase the demand for all modes of the industry to distribute smaller loads with greater precision. (United States Department of Labor, 2007a) Some trucking firms now guarantee shipments to within an hour of scheduled delivery. Shippers demand en route status checks on their products, similar to the in-transit visibility that UPS and FedEx provide their customers. Shippers want to be able to redirect product distribution to react to rapidly changing market and manufacturing conditions. (Benn et al., 2001c) Building and maintaining a transportation infrastructure to support this emerging trend increases the pressure for service providers to reduce down times for construction and maintenance, improves monitoring systems to be able to forecast slowdowns, and improve the durability of existing infrastructure to support increased usage. Montana has three major interstate systems running from east to west and north to south, which makes it one of the most active east-west freight corridors in the Northwest, providing transportation service between major cities in the mid-west and the west coast. Meeting the demand for these major transportation arteries gives Montana little room for inefficiencies.

In addition to supporting the freight industry, these major highway arteries carry much of Montana's tourist traffic. Since the end of World War II, Montana has become a major summer tourist destination. Yellowstone National Park, Glacier National Park, the Custer Battlefield, and many other historical points of interest nearly triple traffic on Montana's roads from May to September each year. Given Montana's somewhat limited maintenance and construction season, the competition between users and maintainers is only expected to grow as the system ages. Other industry factors affecting MDT include:

- National security and homeland defense.
- Increased weight and size of freight hauling equipment.
- Growing environmental concerns and the pressure for more "green" solutions and reductions in new construction.
- Rising construction costs.

Timing routine maintenance and completing construction projects in a state with increasingly high summer usage presents MDT with a significant transportation management challenge.

- Montana Department of Transportation projected needs:** Given the challenges, MDT continues to press forward. With relatively sound funding and the strong support of Congressional leaders, the increased demand for a secure, reliable transportation system, construction support, equipment improvements, and additional service providers is good to excellent. Table 3 below provides a summary of the areas MDT expects to pursue in 2007.

Table 3: US Department of Transportation Procurement Forecast (United States Office of Small and Disadvantaged Business Utilization, 2007)

	Year	1st QTR	2nd QTR	3rd QTR	4th QTR	Total
Architectural & Engineering Services	2007	0	3	2	0	5
Business Services	2007	3	1	1	0	5
Commercial Equipment	2007	3	0	2	0	5
Computer and Peripherals	2007	2	2	0	1	5
Computer Related Services	2007	11	2	1	2	16
Construction	2007	30	40	26	25	121
Construction Materials	2007	0	1	0	0	1
Education Services	2007	2	2	1	0	5
Engineering Services	2007	6	11	8	3	28
Environmental Services	2007	5	0	0	0	5
Health Services	2007	2	0	0	0	2
Industrial Equipment	2007	3	0	1	1	5
Industrial Supplies	2007	1	0	1	0	2
Management Services	2007	2	3	1	1	7
Motor Vehicle Supplies	2007	1	0	0	0	1
Services (not listed)	2007	13	6	9	4	32
Supplies (not listed)	2007	1	0	0	0	1
Vessel Building/Repair	2007	0	16	0	1	17

**Section Summary:** *While there are definite challenges to meeting growing market demand, the overall economic forecast suggests that MDT will continue to remain a very active agency. Economic indicators suggest that Montana's economy is strong and growing, which means that funding could be made available should national and state objectives support their use. Growing concern over the health and security of the transportation system suggests that political leaders will make support of MDT and other state providers a priority. One emerging economic concern is the supply of a skilled support workforce. Fields outside of transportation and transportation support services continue to draw potential human resources away from transportation and civil engineering. Some effort is being made to draw in workers from the manufacturing areas, but it is too early to determine whether those efforts will be sufficient to maintain the necessary workforce. The rising cost of operation attributed to rising fuel costs and an unstable fuel supply market are expected to continue to destabilize, which may affect scheduling; and in some cases, new project starts.*

## Social

Social and environmental factors also play a key role in determining future trends in the transportation industry and demands for services like those provided by the Montana Department of Transportation (MDT). Despite growing congestion on roads and at major air hubs, there seems to be little support for building new transportation infrastructure. Instead, transporters will face mounting political pressure to modify their operations to reduce overcrowding. In addition, the federal and state governments are likely to mandate improvements to engine efficiency, reductions in noise, and increased use of alternate, cleaner burning fuels. (Benn et al., 2001d) Ultimately, the system maintainer (in this case, MDT) will bear the weight of these environmental pressures. In addition to making improvements in the efficiency and environmental friendliness of the equipment used in maintaining Montana's transportation systems, citizens expect greater cost efficiency, reductions in traffic interruptions, and better "year-round" access to key transportation arteries.

Significant growth in areas like Bozeman, Missoula, Great Falls, and Helena only increases the pressure for MDT to deliver more service at a time when the public expects MDT to hold down costs and preserve environmental integrity. Unfortunately, the public does not seem willing to change their consumption rates nor does there appear to be any significant change in lifestyle preferences to help ease this pressure. Citizens of Montana are driving more than ever. Further, the demand for greater access to Montana's vast, remote natural attractions is growing. Growth in remote areas, i.e., the Bitterroot Valley, areas around and near West Yellowstone, and the Glacier park region (particularly between Bigfork and Kalispell), only increase the challenge of satisfying the lifestyle demands of Montana citizenry. The challenge for MDT is to find a way to meet this growing cultural demand while also finding ways to meet the demand for greater security, greater environmental sensitivity, and at a lower cost.

**Section Summary:** *There are two societal factors that seem to be influencing MDT's market: 1) population growth and 2) conflict between increased usage and the demand for more environmentally friendly construction and maintenance solutions. It is expected that with population growth will come greater demand for services; however, the population seems to want that increased demand satisfied at the same time they want reduced greenhouse gases, minimal to no impact on existing wetlands, continued preservation of historical sites, and increased use of recycled materials. The goals are attainable but it will take time, and until the technologies can be developed and refined, there will be conflict.*

## Technological

Technology is expected to help transportation providers and transportation management agencies respond to evolving requirements to move an ever-increasing number of people and products with greater environmental sensitivity. Specifically, technological enhancements are transforming the operation and management of the transportation system. The move to “just-in-time” inventory practices and e-commerce is radically changing traditional transportation patterns. Many products now move in small lots from manufacturer to consumer, bypassing wholesale and retail distributors. In some respects, the transportation system is a “moving warehouse”, it adds value to the products that it carries as they move through the network. In an environment where transportation is a critical link in the supply chain, in-transit visibility and exacting delivery standards are crucial. Technology is helping the industry extend the finite capacity of the transportation network by providing greater efficiency and by providing more intelligent transportation management systems. Intelligent transportation systems that improve signaling, control, and speed are allowing the industry to wring more space and time from congested airspace and crowded highways and to gain more efficiency in its operations.

- **Technology development:** Increased reliance on “intelligent expert systems,” innovations in construction materials, improved engine designs, and advancements in the development of fuel alternatives are all expected to improve efficiencies and improve the overall management of Montana’s transportation system.
  - *Information Technology and the Transportation System:* Computer and information technologies are helping improve the transportation system in three ways: 1) promoting more efficient use of existing transportation resources; 2) reducing the engineering and project management on-site challenges with better modeling and scheduling solutions; 3) improved system monitoring, which provide better response time and improved security. The growing reliance on computer and information technologies to manage Montana’s transportation system is increasing market demand for these technologies and companion services, which means that there is an increased need to find and promote qualified local sources.
  - *Intelligent traffic control systems:* The Intelligent Transportation Systems (ITS) program is a worldwide initiative to add information and

communications technology to transport infrastructure and vehicles. It aims to manage factors that are typically at odds with each other such as vehicles, loads, and routes to improve safety and reduce vehicle wear, transportation times and fuel consumption. (Research and Innovative Technology Administration (RITA, 2008) MDT continues to explore ITS applications, which means the demand for qualified consultants, providers, and system maintainers to develop ITS solutions will increase as MDT continues to modernize Montana's transportation system.

- *Modeling and Simulation in Engineering, Project Management, and Equipment design:* Advancements in computer technologies, particularly in the areas of design and project management assistance, are expected to extend limited engineering management resources by allowing for better pre-construction design, more efficient traffic management design, and improved project management. In general, if the State of Montana has limited program and project management resources (to include engineering support) then technological advances would be expected to provide some relief and help extend the capabilities of these limited resources. Again, this presents new market opportunities for technologists. It also presents new sourcing challenges for MDT.
- **Innovations in use of recycled materials for road construction:** Fueled by the demand for better environmental practices, the transportation industry has increased its demand for the incorporation of recycled materials in all aspects of service delivery. Finding suppliers that specialize in providing recycled construction materials, from harvesting to incorporation, will become a bigger and bigger part of MDT's sourcing challenge. Increasing the use of recycled materials like concrete, asphalt, glass, plastics, and rubber not only provide MDT with an alternative source for critical construction materials, it also accomplishes this with less environmental impact, which serves to satisfy societal demands for greater environmental responsibility.
- **Innovations in fuel alternatives:** Advancements in the development of alternative fuels, such as ethanol and bio-diesels, could significantly reduce the environmental impact of maintaining Montana's transportation system. MDT is on the forefront of incorporating equipment that can take advantage of these advances. Governor Schweitzer's commitment to energy development and improved environmental responsibilities suggest that MDT will become more aggressive in its search for equipment and fuels suppliers that can provide these important fuels management solutions.
  - *Equipment innovations:* Equipment innovations are perhaps the most dynamic growth areas in the transportation market. MDT along with other state agencies continues to seek advancements in equipment (primarily based on innovative technologies) to improve their operational and service provisions. Advances in technology are improving safety, operational efficiency, security, and environmental friendliness. Below is a brief list of

many of the innovations that have and will continue to impact the transportation industry:

- **Telematics:** Telematics refers to the electronic connection between the vehicle and the transportation monitoring system. Much like GM's Navstar system, it allows transportation managers to monitor vehicle location, equipment managers to monitor vehicle operation, and project managers to manage equipment location and use.
  - **Navigation systems:** The installation of GPS in vehicles is revolutionizing vehicle navigation. Improved navigation reduces down time, which can be particularly meaningful as Montana expands its presence in remote operating locations.
  - **Development of better and more efficient power plants for construction equipment:** More and more vehicle managers are taking advantage of the innovation in engine technologies. Improved engine efficiencies, biomass friendly engines, and hybrid equipment solutions are expected to greatly reduce operational costs and reduce environmental impact.
  - **Traffic control advancements:** Improvements in traffic management will become increasingly important to Montana's rapid growth areas. Bozeman, Missoula, Helena, and Great Falls are growing faster than their infrastructure. Reliance on better management solutions will help ease the congestion and improve safety in these growth areas.
  - **Video Monitoring Systems:** MDT has installed a comprehensive video traffic monitoring system to help it and all Montana citizens gain access to the real-time conditions in critical traffic areas. This system provides rapid visual information on road conditions, traffic movement, and weather. MDT's interest in advancements in reliability, durability, and operational capability of these video systems will continue and will provide market opportunities for those developing and selling these technologies.
- **Research and Development:** Many of the solutions sought by MDT have not been developed. MDT has, and will continue to, invest wisely in the development of future technologies. (Environmental studies, design and traffic management studies, and improvement materials studies.)

**Section Summary:** *Advances in technology are revolutionizing virtually every aspect of the market place. In the transportation market, technology is changing: the way the transportation system is managed, the methods of design and construction, the way day-to-day usage is monitored, the materials used, and the equipment used for construction and maintenance. Consequently, technology is changing how and what organizations like MDT require to successfully achieving their organizational objectives.*

*MDT, like all transportation management services, is looking for greater operational efficiencies, more reliable and secure transportation solutions, and more environmentally*

*friendly construction and maintenance practices. Those capable of delivering these solutions will be well placed in the market. Suppliers that have or are willing to invest in developing and servicing more fuel efficient equipment; traffic monitoring equipment manufacturers that develop faster, more comprehensive monitoring solutions, and materials suppliers that can produce environmentally friendly, cost-competitive products will find their goods and services are in greater demand. Finally, the market is strong for those involved in developing the next-generation of transportation solutions. The need to find better solutions and stretch the current transportation infrastructure requires innovation, which makes it a strong market for technology-based businesses.*

## SWOT Analysis-MDT

Our PEST analysis provides us with insight into trends in the transportation industry so that we might understand the market better. Our SWOT analysis is intended to give us some insight into the Montana Department of Transportation (MDT) so that we might further understand their goals, challenges, and needs. Our analysis also looks at the organizational strengths, weaknesses, opportunities, and threats of the Office of Disadvantaged Business Enterprises (DBE), which resides within MDT. DBE is a federally funded support organization that provides business development support to state agencies; assisting them in their relationships with small and emerging businesses. This organizational analysis became the second point in our triangulation analysis and gave us insight into what kind of marketing assistance would best serve the needs of MDT.

### Strengths

The organizational strengths of the Montana Department of Transportation falls into three broad categories: 1) people, 2) stable funding, and 3) organizational commitment. Each contributes significantly to the overall success enjoyed by these organizations.

- **Human Resources:** In our study, New West Strategies was granted full and complete access to MDT personnel. We conducted interviews, reviewed organizational designs, and studied personnel utilization patterns. We talked with managers, supervisors, and technicians. We found personnel to be experienced, motivated, and innovative. Even though they do not always have sufficient FTEs for the tasks assigned, we found that MDT employees were well positioned to implement a successful development strategy. Further, we found personnel to be open to suggestion and very committed to finding more effective organizational solutions. Below is a summary of specific attributes we found to contribute significantly to the strength of MDT as an organization:
  - *Experience.* Several of the employees we interviewed had over 5 years of MDT work experience; and many had additional experience in Montana State agencies, which deepens their knowledge of the unique challenges facing government service providers in Montana.
  - *Motivation.* Without exception, every MDT employee we interviewed was engaged and highly interested in organizational improvement.



- *Strong internal communications system.* Excellent information flows facilitated by their intranet links gave each employee full access to the status of projects, current organizational policies and procedures, calendar management, and meeting scheduling.
  - *Professional diversity on problem-solving and operational management teams.* The acquisition teams had representatives from every professional division within MDT (engineering, acquisition, operations, etc.)
  - *Professionalism.* In addition to interviews, NWS conducted project meetings and had contractor interactions with MDT employees. Without exception, we were met with cooperation, timeliness, and attention, i.e., professionalism. As a service organization, NWS sees this level of professionalism as a particular strength of MDT.
- **Stable Funding.** The Montana Department of Transportation's funding perspective for the near and distance future is strong and stable. While many government agencies are experiencing reductions and cutbacks, MDT appears to be experiencing growth. In part, this growth is a reflection of the Federal and State commitment to maintaining a strong transportation system.

The importance of funding stability can not be overstated. All marketing activity by definition relates to future organizational development. It also depends on the promise of future activity. Without stable funding, it is difficult for an organization to attract vendors and suppliers that have to commit resources to supply the requested needs. Few are willing to do so if there is a possibility that the requirement will disappear. Therefore, MDT's strong funding profile is seen as strength.

- **Strong Organizational Commitment.** The Montana Department of Transportation has consistently exhibited a commitment to the development of a strong supply chain. Their willingness to develop even better outreach solutions is a strong statement of this commitment. Without organizational backing, an initiative has only a marginal chance for success. MDT has made that commitment; therefore, it has made the first critical step to achieving its outreach goals.

## Weaknesses

In the instant case, weakness is a bit of misnomer. The Montana Department of Transportation (MDT) appears to have taken every reasonable step to ensure the success of this outreach effort. Nonetheless, there will be challenges as it seeks to make even more improvements. MDT appears to have limited personnel, funding, and experience to develop its external marketing capabilities. It is further constrained by regulatory responsibilities, which impose barriers to entry. Finally, MDT lacks the specific marketing resources to develop and maintain a fully developed external marketing strategy. As a result of these limitations, MDT faces additional challenges as they move to implement marketing improvements.

- **Limited Personnel and Funding:** As a government agency dedicated to providing transportation management services, MDT has limited personnel to dedicate to marketing, which leaves little room for business development. For the most part, business development is the responsibility of the acquisition teams. However, MDT's acquisition teams are engaged in requirements development, source selections, and contract administration. In addition to sourcing, MDT is responsible for educating, assisting in proposal development, and assisting in business operations for small and emerging businesses. Given the tight personnel budgets affecting most government organizations, it is not likely that MDT will have additional internal resources specifically for this effort.

On some level, all public activity is outreach activity; in that role, MDT does an excellent job. Leveraging these contacts and expanding participation in state sponsored development events will help mitigate any loss in momentum that might come from the inability to assign dedicated resources.

- **Regulatory and Policy:** As a government agency, the Montana Department of Transportation and the Office of Disadvantaged Business Enterprises are governed by a set of very strict regulatory business development policies. In addition to state policy, MDT must comply with federal acquisition regulatory policies. Both the federal and state policies set high standards for transparency in acquisition. Further, acquisition regulatory policies are clear on how, when, and to what extent a government agency can interact with suppliers and vendors. For instance, a government agency must provide each potential vendor with every opportunity to fully participate in all public acquisitions, which means that MDT must be very careful not to interfere with open access or give the appearance of marketing to a specific vendor or supplier.

In addition, contractors are limited in the nature and extent of the interaction they may have with government employees. Potential suppliers must follow specific procedures if they wish to do capabilities briefings and product demonstrations. This limited access presents significant, unique challenges for contractors wishing to enter government markets.

The other challenge that government acquisition policies have on potential suppliers is the administrative burden associated with fulfilling complex acquisition regulations. Small businesses often lack the specialized personnel to manage these complexities, and at times this discourages a business from pursuing government acquisitions. This is further complicated by the diminishing availability of government assistance for small businesses, i.e. reduction in force at the Small Business Administration (SBA). (See Barriers to Entry on p. 28)

Heavily regulated access, higher administration costs associated with government acquisitions, and the limited availability of assistance increase the challenge for some businesses wishing to access government acquisitions. As MDT seeks to improve its outreach, it will have to develop mitigations for these challenges.

- **Split Acquisition Team:** The Department of Transportation (MDT) has divided its acquisition team into three separate functional units: 1) large project; 2) smaller project and support commodities; 3) consulting and research. In addition, the State of Montana has centralized some acquisition support in the Department of Administration. While these organizational designs provide several internal advantages (some operational savings, cost savings associated with volume buying, improved equipment standardization, etc.), they also can create increased external confusion. It can be difficult for external users to know who to contact concerning MDT requirements. Further, some businesses may have difficulties resolving concerns over payment, project management, and/or conflict resolution because they can not navigate the complexities of this internal organizational design. This was most noticeable when one is trying to understand how, where, and when requirements needs are advertised.

Note: We found that the personnel had excellent internal communications, which tended to mitigate some of the problems associated with a split team. We also found that the cooperation between the teams supported the sharing of resources across procurements and facilitated improved internal efficiency. However, NWS did find that the separation of responsibilities did add additional challenges for external customers wishing to do business with MDT.

- **Acquisition Cycles Tied to Funding Cycles:** The Montana Department of Transportation receives funds from federal, state, and local agencies, with a majority coming from federal sources. The federal funding cycle differs from the state and local funding cycles, which introduces a complexity for developing schedules and coordinating payments. MDT has a long history of managing these complexities so it is expected that this will not material affect operations; however, mixed funding schedules, with variations in funding priorities, is expected to have some impact on the timing of marketing and advertising requirements.

## Opportunities

With each weakness (challenge) comes an opportunity for improvement. In the PEST analysis above, it was clear that domestic transportation reliability and security is a major concern for federal and state executives and legislators. This renewed interest in the federal and state transportation infrastructure works to the advantage of the organizations responsible for delivering transportation management services. It also tends to encourage growth in the supply markets. When the market senses sustained growth, it tends to expand to meet the demand and a review of the transportation industry suggests the market is currently making that adjustment. Below is a discussion of specific organization opportunities associated with developing improved supply chain support.

- **Increase Community Support for MDT's Services:** Recent legislative actions like the Safe, Accountable, Flexible; Efficient Transportation Equity Act is a confirmation of the increased priority domestic transportation is currently receiving. Further, it is evidence to the supplying market that future funding for transportation infrastructure improvements is real and is likely to continue for some time in the future. This commitment to improving the domestic infrastructure creates opportunity first, for government transportation-management agencies and second, for the supply chain

that supports these agencies. As supplier awareness of support increases, so does supplier activity to seek out and win supply opportunities, which introduces opportunity for marketing.

Marketing in an optimistic market tends to fuel supplier interest. Therefore, NWS expects public interest in transportation infrastructure improvements will increase supplier interest and make the potential audience more receptive to MDT's marketing efforts.

- **Innovation in Sourcing Processes:** MDT has a reputation among the state agencies as being a leader in integrating new technologies. In today's market more than ever, MDT is looking for advancements in technology to help improve its service. This reliance on technology and innovation will require MDT to venture into new supply areas. Innovation in materials, equipment, process, and environmental goods and services are where many of those new supply sources can be found. In addition, limitation in internal human resources may encourage MDT to solicit more support from the engineering and consulting service providers. Consequently, MDT as an organization has an opportunity to explore improvements in its sourcing practices, i.e., MDT has the opportunity to be a leader in developing innovative outreach solutions (many that may be adopted by other state agencies).
- **Development of Additional Niche Suppliers:** Related, yet separate, is MDT's opportunity to develop additional, specialized suppliers. Increased pressure to develop "green" construction products and services has also increased the need for MDT to develop new niche suppliers. In addition, the demand for greater equipment efficiencies is encouraging the growth of businesses that can develop and manufacturer improved operational efficiencies. This again provides MDT with an opportunity to improve its specialized niche sourcing processes.

## Threats

Threats to MDT's success in achieving its organizational marketing improvements tend to parallel their weaknesses and opportunities. Closely associated with limitations imposed with a tight acquisition policy are the barriers these regulations and policies tend to create for new entrants into the system. Furthermore, any softening of support, either as reflected in funding or shifting support, can threaten the support for MDT's marketing efforts. Below is a more detailed discussion of these and other threats:

- **Barriers to Entry:** In 2003 Angela B. Styles, administrator for federal procurement policy addressed the Congressional Committee on Armed Services. (Davis, 2003) Her purpose for addressing the Committee was to discuss barriers to entry that may be affecting small business participation in government acquisitions programs. Below, beginning on p. 29, is a summary of that discussion and it is followed by additional barriers that uniquely affect potential MDT suppliers.

- *Bundling Requirements.* Government agencies pressed for time and with limited acquisition personnel have begun combining related smaller projects into larger more complex acquisitions. The practice called “bundling” provides some administrative savings, but it also affects the levels and quality of response competition. Smaller, often specialized, firms are all too often unable to provide the breadth of goods and services required in these large “bundle” procurements. In some cases, they do not have sufficient capital to finance project launch. Consequently, the size and complexity of the bundled acquisition prevents them from participating. The longer the government continues the bundling practice, the greater the threat it poses to developing new participants in its acquisition processes.
- *Competition Practices.* All public agencies have benefited from opening up their acquisitions to competitive forces. However, there are times when the pursuit for competition with its assumption of improved value delivery is limiting market dynamics and increasing the cost of acquisition. Commercial organizations with advanced supply chain management practices often conduct a cost-benefit analysis before deciding which procurement processes to use to satisfy requirements. Many corporations have adopted more flexible acquisition solutions such as micro purchasing processes, pre-qualified vendor development lists, and streamlined evaluation techniques to help reduce the cost of acquisition while at the same time taking full advantage of competitive sourcing. Current procurement thresholds in the State of Montana tend to reduce the flexibility of its acquisition system. MDT, being a state agency, is subject to these thresholds. Therefore, MDT is unable to exercise all the flexibility it might need in order to optimize market forces. This poses a threat to both its sourcing efforts and the marketing practices that are used to develop sources.
- *Competitive Sourcing.* Competitive sourcing refers to the growing competition that is emerging between organic and private sourcing firms. As organizations look for ways to reduce costs and protect jobs, they are relying more and more on organic resources to provide the services that private providers can supply. According to Ms. Styles, 850,000 full-time equivalents (FTEs) are supplying services that might be provided by private sources. By design, FTEs are insulated from the dynamics of competition, which often means that government organizations may be paying more for these services. Revisions to the process of determining whether commercial activities will be performed by public or private sources are being made. However, the insulation of public providers does continue to threaten the development of private sector capability. Also it will continue to threaten marketing activities to promote greater private participation in government activities.
- *Simple Economics.* The Montana Department of Transportation (MDT) spends a significant portion of its budget on construction and maintenance of Montana’s transportation system. To protect itself, MDT often requires

suppliers to provide performance bonds. Securing these bonds can be challenging for smaller businesses.

Bonding requirements are an economic reality in the construction and maintenance industries. While MDT is not in a position to reduce these requirements, it may be in a position to provide more assistance to small businesses wishing to secure such surety bonds. As a marketing tool, developing a bonding assistance program may open opportunities for emerging businesses.

- **Political Support:** All public activities depend on political support and MDT is no different. Support, expressed as funding, is a reflection of current political mood. Any shifts in political support present a threat to the development and implementation of improved sourcing policy. Cuts in funding, realignment of priorities, or reductions in force can all hurt MDT's ability to advance its sourcing processes.
- **Market demand:** The market demand for support services is intense. MDT will be competing with other public and private transportation/construction consumers for limited supply resources. This competition extends to the competition for limited environmental design and supply resources. The threat of this increased demand may affect the success of MDT's outreach program. This threat will remain as long as the complexity of government supplying remains higher than that of commercial supplying. In part, this threat is mitigated by the stability government supplying can have and the government can improve its position in line by continuing to improve its acquisition processes and by improving its support for suppliers.

**Section Summary:** *The Montana Department of Transportation with the cooperation its Office of Disadvantaged Business Enterprises has made a commitment to improving its sourcing processes. In support of those objectives, New West Strategies adopted a triangulated exploratory study. The first point of triangulation was to complete a market analysis (PEST), the results of which are reported above. The second point of triangulation was to assess MDT's organizational strengths, weakness, opportunities, and threats. The SWOT analysis gave us a good understanding of how well MDT is positioned to accomplish its objectives.*

*Overall, MDT is well positioned to achieve its objective of making improvements to its sourcing processes. As an organization, it is well funded and has highly motivated, experience personnel to execute its strategy. Despite limitations in the number of people it can apply to this effort and some organizational design limitations, MDT can make the necessary adjustment to accommodate these improvements. For the most part, these are opportunities for processes improvements. More significant, there are opportunities for this program to contribute to the development of MDT supply market. In developing these supply sources through improved sourcing processes, MDT will improve the availability of these services by improving competition within the marketplace. However, these opportunities and MDT's ability as an organization to leverage them are at some risk. Shifting political and community support for improving the domestic transportation system could affect funding; which in turn, could affect development of sourcing solutions. In addition, market demand for the services and goods MDT seeks is intense. This intensity could affect MDT's ability to attract new vendors and suppliers. Notwithstanding, the potential threats, New West Strategies believes that MDT has the organizational capability to succeed in their pursuit of improved sourcing solutions.*

## CONSTITUENT FEEDBACK

The third point of triangulation is an assessment of constituent perceptions and attitudes. In order to develop an appropriate marketing strategy we must go beyond a study of markets and organization capabilities. We must understand what the constituents feel and we must attempt to understand what they expect from the system they support. To that end, New West Strategies interviewed and surveyed the constituency. The sections below provide a summary of what we found in these investigations.

### Interview Results

The number of MDT employees directly involved in the outreach process, either as acquisition technicians or technical representatives, is relatively small. Consequently, New West decided to conduct one-on-one interviews with a select group. MDT's research program manager provided the interviewer with a list of personnel and interviews were conducted. As stated, we concentrated on those with the most direct contact with vendors and the acquisition process. Below is a summary of what we learned from the interviews. (For a more complete summary of the interviews, see Appendix 1).

- MDT interviewees are experienced, knowledgeable, and motivated.
- Requirements are tied to organizational objectives.
- There are several separate and unique constituencies involved in requirements generation, i.e., federal transportation agencies, state agencies, internal customers, 5-year plan.
- Several Divisions coordinate on requirement definitions leading to a procurement, with particularly strong coordination between engineering, program management, and the large acquisition team.
- There is some confusion over who has the responsibility for developing and implementing outreach programs.
- Acquisition responsibilities are divided among three internal units, with some acquisitions controlled by state and federal agencies, which introduces some confusion for the external community who is not always sure who to contact concerning an acquisition. (This confusion was shared by some members of the reception team that directs telephonic and walk-in traffic).
- Some members were unsure what MDT had to do with developing supply sources—they believed that it was the responsibility of the business community to seek out requirements.
- Print advertisements and the Internet were identified as the two most effective ways to communicate requirements.
- There was unanimous consensus that the MDT website was the best way for internal and external constituents to find information about MDT.
- It was the consensus of everyone interviewed that the MDT website could be improved and made more user-friendly. Some suggested it might be better if the website had specific links for specific customers on the home page.



- Some suggested that sometimes there was too much information and it was difficult when you were just trying to find simple answers [we believe the respondents were referring to links to full documents rather than to either FAQs or summary pages].
- All respondents rated MDT as either good or excellent in their community outreach.

In general, we found that the interviews confirmed much of what we found in our SWOT analysis, i.e., that MDT employees are knowledgeable, well informed about the organization, and highly motivated to make improvements. There is excellent support from the management team to make improvements; and, there was higher than expected interest in the project. We found all the interviewees very cooperative, generous with their time, and very professional. Several volunteered to provide additional assistance if required and all were generally proud of their association with MDT.

## Survey Results

The survey used in this study was designed to measure the knowledge, perceptions, and attitudes of the supplying community. A list of contractors was provided by the Office of Disadvantaged Business Enterprises and the Department of Transportation. This list reflected the most current (as of January 2007) list of active vendors and included mailing information on more than 1600 active MDT suppliers. New West Strategies assigned numbers to each vendor and then (using a random number generator based on the total number in the population) selected 400 businesses to participate in the survey. We received 50 useable returned surveys for our analysis. The return number was determined to be an adequate representation of the population and it was determined the sample of 50 would provide reasonable power. An overall summary of results is provided below. (For a more complete summary, see Appendix 2).

### Demographic Data

- 40% of the respondents identified themselves as vertical construction firms, 34% identified themselves as general construction firms, 12% listed their primary business as civil engineering.
- 74% of the respondents listed themselves as small or emerging, with 10% identifying themselves as large.
- 60% had no socio-economic classification, 20% listed themselves as woman own, while 6% listed themselves as veteran-owned and 6% listed themselves as service-disabled, veteran-owned.
- 68% of the respondents were businesses with registrations in Montana and 28% registered in adjacent states.
- 60% of the respondents have been business 10 or more years 16% reporting they had been in business less than 5 years.
- 80% of the respondents have done business with the State of Montana and 76% reported to have done business with MDT.

- 70% of the respondents reported providing construction or construction support services, with 10% reporting consulting as the service they provide.
- 58% reporting participating in 5 or more MDT projects.
- 38% of the participants said they found information about upcoming projects from the MDT website, with 20% citing referrals and 12% reporting that they found out upcoming projects while working on current projects.

#### Items of Importance to Respondents

- 76% of those surveyed felt access to MDT project information was either very important or critical.
- 70% of the respondents felt that information about how to do business with MDT was important or very important, with additional 18% indicating that this information was critical.
- 80% of those surveyed felt information on how to compete for MDT projects was important or critical to them.
- 64% of the respondents felt instructional seminars were important.
- 92% of those surveyed felt internet access was important to critical.

#### Respondent Satisfaction

- 64% of the respondents were satisfied with MDT advertising efforts.
- 84% of those surveyed were satisfied to very satisfied with MDT proposal packages.
- 74% of the respondents were satisfied with the quantity of information available on MDT projects and 80% were satisfied with the quality of information provided by MDT.
- 64% of those surveyed were satisfied with the fairness of MDT's selection procedures.
- 80% of those participating were satisfied to very satisfied with MDT's acquisition team(s).

#### Respondent Interest in Outreach

- 68% expressed interest in a sponsored business day.
- 84% of the respondents were interested in acquisition streamlining improvements.
- 80% of those surveyed expressed interest in MDT developing a subcontractor network and in a contractor prequalification network.

#### Customer Attitude on How Well MDT Met Their Performance Expectations

- 90% of those surveyed felt MDT met or exceeded their expectations for customer service.
- 80% of the respondents felt MDT met or exceeded their expectations for information sharing.

- 84% felt that MDT support services met or exceed their expectations.
- 70% of those surveyed felt MDT's website met or exceeded their information expectations.
- 66% of the respondents felt MDT's contractor application service met or exceed their expectations.

## INTERPRETATION OF RESULTS

In preparation for developing marketing tools for the MDT, NWS conducted a triangulated, exploratory study. Our first objective was to understand something about the market in which MDT participates. Second, we sought to understand MDT as an organization. Our interviews and study of the organization helped us tailor our suggestions to work well within the MDT environmental context. Finally, we studied the external constituency to better understand their concerns and level of satisfaction with MDT outreach efforts. Below is a summary of our observations about MDT, their market, and the reaction of the supplying population to their customer outreach efforts.

- Government marketing and acquisition environment has several unique demands that materially affect how it approaches its marketing strategies.
  - By law, government organizations *must maintain a transparent acquisition environment*, which can impose limitations on its ability to market and interact with potential contractors and vendors.
  - *Complexities in the participation in government business activities*, i.e., business registration, compliance with representation and certification requirements, establishing evidence of government past performance, insurance and bonding requirements, project management requirements, etc. create barriers to entry that may make it difficult for new entrants, particularly small, emerging businesses.
  - *Lags in payment schedules* and progress payment schedules can make it difficult for small, emerging businesses to manage the first 60 to 90 days of a large project. A cash flow problem associated with payment lags may negatively impact their participation in the process.
  - *Bundling projects* to reduce government project management costs by bundling or merging requirements, often limits the ability of small businesses to participate in government business opportunities because the project either becomes to financially risky or because it becomes to complex and exceeds the small business' ability to provide all the services required.
  - *Internal administrative management practices* such as centralizing some acquisition activities, centralizing information technology support, matrixed structural designs, etc. can make it difficult for outsiders to find out information on upcoming projects, points of contact for specific actions, and conflict resolution.
  - New entrants to the government acquisition processes often do not have the necessary *experience* with complex proposal and post award processes and are intimidated by the administrative hurdles required to participate in government projects, which can mean that government organizations wishing to expand supplier sources will have to take the initiative to educate the vendor community in order to encourage new vendor participation.

- MDT organization and processes are sound but provide room for further improvements.
  - MDT is doing a good job of following established procedures for developing and expanding contractor/vendor lists; however, there are a few actions that can be taken to improve upon this good base (see p. 55).
  - A division of acquisition responsibilities between three internal support groups may be confusing potential contractors/vendors seeking information about potential MDT projects.
  - Coordination between the three MDT acquisition teams is good but complexities on certain acquisitions, such as overlapping requirements, can create confusion over responsibilities and may make it more difficult for potential vendors seeking to participate in the proposal process.
  - Coordination between the acquisition and program management teams is excellent. The team responsible for major construction and paving projects has an excellent relationship with the program management team, making it easier for external constituents to coordinate activity.
  - Internal and external constituents overwhelmingly expressed concern over the user-friendliness of the MDT website. A majority of those interviewed and surveyed believe the site is cumbersome and difficult to navigate. Respondents were satisfied with the quality of information on the site, but felt the links were confusing or did not allow them to access the specific areas they were looking to access.
  - Vendors with longer associations with MDT and the State of Montana seemed less satisfied with the support services they received.
  - As a government organization, MDT does not have specific resources dedicated to developing marketing solutions, which means that can lack specificity and clarity; i.e., brand confusion and fuzziness.
  
- Environmental Factors have real and significant impacts on how MDT is funded, pursues its operations, and approaches its marketing efforts.
  - Funds available to support the Montana Department of Transportation come from federal, state, county, and local funding sources, with the majority of the MDT budget coming from the federal government. Current international challenges facing our country have placed a strain on domestic programs, including transportation and infrastructure funding. MDT's ability to maintain projected services is and will continue to be affected by the shifting national funding priorities.
  - Montana has the fourth largest geographic responsibility in the United States. The diverse terrain, i.e., mountains, large prairie areas, and the integrated waterways require a full range of civil engineering, construction, and traffic management controls systems. Satisfying federal, state, and local transportation infrastructure requires the cooperation of several federal, state, and local agencies. Further, it requires a comprehensive network of service providers and vendors. Planning for and managing such a complex group requires greater than usual

- organizational dexterity. Montana has done an excellent job of responding to the challenge of creating the organizational agility to manage its responsibilities; however, it has very limited organizational slack, i.e., excess organizational response resource, which increases the risk of service interruption should there be a major natural disaster or significant shift in the supplier support.
- Montana transportation infrastructure challenges reflect the dramatic regional variations found throughout the state. Rather than being a single, homogeneous entity, Montana is made up of five distinct regions, each presenting unique transportation support challenges. The Northwest region running from Missoula through the Glacier Park area to Canada is an alpine region dominated by the Glacier mountain range. Northeastern Montana is a flat, prairie landscape with long stretches of flat, exposed roadways. Highway 2, often referred to the “high line,” is subject to extreme temperatures, potentially high winds, and significant frost movement. The eastern region includes areas of the badlands with a mix of rangeland, rolling hills, and boxed canyons to navigate. The southwestern region includes portions of the Yellowstone mountain range, rangelands, and high sierra plateaus. Finally, the central portion of the state, which includes Helena, Great Falls and Lewistown, is a mix of mountains, foothills, and vast expansions of rangeland. It is a sparsely populated area with few towns and services. Traffic is relatively light on the few major highways that crisscross this region. The diversity of topography, population distribution, and traffic loads greatly increases the challenge of maintaining the infrastructure.
  - Montana’s northwestern location imposes significant weather challenges on transportation service providers. In addition to limiting the construction season, weather can have a significant impact on the Department’s resources (extended winter weather, with high snowfall, taxes budgets, schedules, equipment and human resources). Further, weather can have a major impact on the condition of the transportation infrastructure. Heavy snowfalls can accelerate the erosion of roadbeds and increase the severity and destructiveness associated with flooding.
- Other Factors Influencing MDT, its Vendors, and MDT Marketing Design:
    - The United States is currently engaged in a War on Terror and the commitment to this international conflict has resulted in a shift in national priorities. The cost in financial resources and human resources has redirected limited public funds. At the same time, it has resulted in an increased emphasis on the security of the domestic infrastructure. Through the Office of Homeland Security, the federal government has been directing funds to improve the quality and security of boarder facilities, transportation facilities, and major transportation infrastructure. The urgency of project development has compressed schedules and increased demands for limited resources.
    - Rising fuel costs, in part attributed by the rise in international tensions, has had an immediate and significant impact on every aspect of MDT’s operations. In addition to the rising fuel costs and its effect on basic operations such as snow removal and road maintenance, energy costs are rapidly driving up construction

- costs. This affects the number of new projects that can be started and stretches the schedules for existing projects.
- Technology, particularly as it relates to information distribution and communications, has and will continue to rely more and more on electronic connectivity. Advertising opportunities, proposal communications, payments, and project administration will depend on fast, immediate electronic access and portal management.

## BUSINESS OPPORTUNITIES

In the SWOT analysis, we briefly discussed opportunities for businesses. In that discussion, we were looking at the relationship between business opportunity and marketing opportunities for MDT. We concluded the business environment was good for MDT suppliers; therefore, we concluded the marketing opportunities were good. In this section, we are looking in more detail at the opportunities available to businesses. This is information we can use to develop more relevant and meaningful information to pass on to potential suppliers and vendors.

The Montana state government is a comprehensive service community, with a budget of approximately \$600 million for FY 2007 (see Table 4 below). (Montana Office of Budget Programming and Planning, 2007) The Montana Department of Transportation (MDT) represents one of the state's largest consumers of goods and services.

Table 4: Montana State Budget  
(Montana Office of Budget Programming and Planning, 2007)

Budget Item	Total Exec. Budget Fiscal 2007
FTE	2,205.28
Personal Services	113,829,669
Operating Expenses	458,600,174
Equipment	1,585,682
Capital Outlay	16,050,157
Local Assistance	95,225
Grants	9,767,925
Transfers	18,221
Debt Service	26,750
Total Costs	\$599,976,008.28
State/Other Special	260,139,181
Federal Special	339,834,622
Total Funds	\$599,973,803

The demand for services and goods cuts across the entire spectrum of business. While construction, road and bridge maintenance, and heavy equipment represent the largest portion of MDT's budget, there is also a substantial demand for information technology services, engineering support services, consulting, environmental services, business support services, equipment, materials, office supplies, and other commodities. Satisfying those demands will provide opportunities for businesses of all types and sizes;



in spite of the challenges often associated with government contracting they represent a very stable and attractive market for suppliers. (United States Federal Business Opportunities, 2007)

Below is a general discussion of these opportunities broken into three broad areas: services, supplies, and related government opportunities. See Appendix 3 for a tabular summary, with comments, of the specific opportunities by business type.

For this study, we focused on the implications for those businesses providing services to the Montana Department of Transportation (MDT). In the section “Supply Opportunities,” we expanded that discussion to include other state and federal agencies doing business in the state of Montana.

## Service Opportunities

Business Opportunity Rating: **EXCELLENT**

As indicated in the budget breakout above, MDT will spend hundreds of millions in support of mission objectives and the opportunities for business is good to excellent for the near (2-3 years) and future (3 years and beyond) terms.

Note: NWS used a basic rating system that assigns an opportunity rating based on the number of opportunities, expected business activity in dollar and duration of requirement. Outstanding = highest values in each area; Excellent = highest rating in 2 of 3 areas; Good = Highest rating in 1 of 3 areas; Average = top 50% rating in 2 of 3 areas; Poor = No rating in top 50%.

- **Construction Services**

The Federal Acquisition Regulation (FAR), Subpart 22.4 Labor Standard for Contracts Involving Construction defines construction as (FAR, 2007):

*FAR Subpart 22.4 Labor Standards for Contracts Involving Construction*  
“Construction, alteration, or repair” means all types of work done by laborers and mechanics employed by the construction contractor or construction subcontractor on a particular building or work at the site thereof, including without limitations—

- (1) Altering, remodeling, installation (if appropriate) on the site of the work of items fabricated off-site.
- (2) Painting and decorating.
- (3) Manufacturing or furnishing of materials, articles, supplies, or equipment on the site of the building or work.
- (4) Transportation of materials and supplies between the site of the work within the meaning of paragraphs (1)(i) and (ii) of the “site of the work” definition of this section, and a facility which is dedicated to the construction of the building or work and is deemed part of the site of the work within the meaning of paragraph two (2) of the “site of work” definition of this section.

*(5) Transportation of portions of the building or work between a secondary site where a significant portion of the building or work is constructed, which is part of the “site of the work” definition in paragraph (1)(ii) of this section, and the physical place or places where the building or work will remain (paragraph (1)(i) in the “site of the work” definition of this section).*

We have expanded this definition to include road construction and bridge work. Based on this definition, we did a current search of contracts and projects involving construction activity within the state of Montana. This search included a search of federal and state highway, bridge, and road related construction.

Based on a search of opportunities (United States Federal Business Opportunities, 2007, and Montana Department of Administration, 2007), we found 117 federal projects with an estimated project value over \$728 million involving construction services in the Northwest region (Montana, Wyoming, Washington, Oregon, and Idaho). (McGraw-Hill, 2007a) Project sponsors included: Federal Departments of Agriculture, Commerce, Transportation, the FAA, Veteran’s Administration, Defense, Transit Administration, and the Army Corps of Engineers. Projects activities included facilities, road repair, signage repair, painting, and concrete work.

During the same time period, NWS researchers were able to identify over 20 construction projects on the MDT site. Our estimated value for all activity will exceed \$50 million, with several projects estimated at between \$1 and 2 million. Regional road repair and concrete foundation work were the most prevalent activity; however, there were opportunities involving diverse services such as painting, excavation, and traffic management.

Below is a list of major construction services sought for projects in Montana and the Northwest Region. This is not an exhaustive list, rather we focused on existing and projected MDT requirements based on advertised opportunities and contract awards.

- Construction Services
- Engineering Services
- Concrete Services
- Asphalt Repair Services
- Architectural Services
- Environmental Support Services
- Testing Services
- Drilling Services
- Soil Analysis Services
- Inspection Services

In the non-governmental construction market, the industry is reporting either a slowdown or decline in activity, depending on which report one reads. The latest Dodge index (McGraw-Hill, 2007b) report shows a drop of approximately 5% from March to April, with new housing starts reporting the largest decline (approximately 17%). These

statistics suggest that demand for construction services is falling at a sufficient rate to have longer-term impacts. However, these statistics also suggest that growth in non-residential activity, particularly in large project production areas such as industrial facilities, energy plants, large civil engineering projects, and multi-family dwellings may become more attractive to contractors. It also suggests that a surplus in the construction workforce may create career migrations, i.e., retraining into non-construction areas. If true, this could create further stress for the construction industry in higher than average growth areas.

Predicting industry trends for the construction industry is complicated by the unpredictability of regional growth. Most industry analysts do an aggregate forecast in an attempt to better understand macro industry activity. The slowdown in construction is more of a national phenomenon than a regional; and it overshadows idiosyncratic regional behaviors. For example, Montana has sustained or improved its employment strength for five years in a row. Areas like Missoula, Bozeman, Great Falls, and Helena are growing faster than national average (United States Department of Labor, 2007).

*“In Missoula, the number of new-home construction permits issued in the 2005 fiscal year was 375, with a total valuation of \$32,210,833, according to figures from the Missoula Building Inspection Division. For the 2006 fiscal year, the number of new-home construction permits stood at 316 but had a higher total valuation, of \$42,191,149. (Christensen, 2006)*

Consequently, Montana’s construction activity is higher than the national average, to include residential activity. Higher than average population growth in our metropolitan areas suggests, while there may be some slowing of new construction in single family residential construction, there also is a growth in multi-dwelling residential and non-residential construction activity. Therefore, NWS believes the demand for construction services in both the commercial and government markets is strong. We also believe that the environment for emerging and small businesses is strong. However, construction services are a capital-intensive business with significant bonding and financial investment requirements, which can make it difficult for newly formed businesses to survive start up, remain competitive, and/or absorb temporary industrial reversals. (See Challenges, beginning p. 48)

- **Information Technology and Computer Support Services**

According to the US Department of Labor, Division of Employment & Training Administration:

- “Information Technology (IT) is the fastest growing sector in the economy with a 68% increase in output growth rate projected between 2002 and 2012”. (United States Department of Labor, 2007b)
- Employment opportunities are expected to be good in the IT industry as demand for computer-related occupations increases due to rapid advances in computer technology, continuing development of new computer applications, and the

- growing significance of information security. (United States Department of Labor, 2007c)
- 92% of all IT workers are in non-IT companies, 80% of which are in small companies. (Information Technology Association of America) (United States Department of Labor, 2007)

For those supplying information technology and computer support services, the real struggle is to find where the opportunities exist. Industry analysts report a 50 to 60 percent growth in the industry, but the question for providers is: “In what areas?” From 1995 to 2005, the corporate trend was to manage the cost of services sold by developing “off source” capabilities. The migration of business activity from the United States to places like China, India, Eastern Europe, and Scandinavia was significant. Initially, offshoring IT service covered the entire spectrum of activities: 1) application development; 2) financial services; 3) customer service; 4) technical support services; 5) document management and storage; 6) network management; 7) communications management, etc. Low overseas operating costs made it difficult for domestic providers to remain competitive. One area where domestic providers remained somewhat strong was in government markets. Domestic government agencies on all levels have particularly unique security requirements. These unique security requirements mandate a preference for domestic suppliers. In some areas, the government preference for domestic suppliers has been the lifeline for smaller information technology firms.

Lack of control, vulnerability related to the dependence on foreign suppliers, weak performance in some areas of offshore servicing, and cultural challenges have cooled the consuming public’s enthusiasm for offshore operations. Recently analysts have begun seeing some early signs that commercial consumers are reevaluating their decisions to export their information technology requirements. Language differences, rising labor expectations in foreign operations, the inability to provide on-site consumer support, and the lack of skilled labor force in some non-domestic operations are beginning to affect the reliability and quality of the service coming from non-domestic sources. While it is much too early to identify a significant market shift, the early evidence does seem to support improvements in the domestic market for information technology and computer service suppliers.

The combination of a strong government consuming market and a growing commercial market for domestic suppliers is significantly improving the opportunities for domestic service providers in all areas of industry demand. Computer security, system security certification, computer network authentication, software development, network support services, domestic hosting services and website development are all seeing improvements in the domestic market. Added to a steady increase in consumer demand for information technology and computer support services based on greater reliance on IT and computer technologies explain much of the optimism expressed by analysts.

- **Environmental Support Services**

The demand for environmental services continues to increase rapidly. Market analysts are predicting strength and viability for at least the next 15 to 20 years. Public demand for environmentally friendly construction and land use is very active to aggressive. Those involved in construction of any type are being pressured to provide guarantees of minimal environmental impact. That means environmental service providers are involved earlier and earlier in the process and are remaining active throughout the life of the project, including disposal. (XL Environmental, 2008)

Government customers have always had an aggressive environmental policy. Consequently, the business opportunities for environmental service companies have always been good. Government service acquisitions have run from research to testing to site management to disposal, which means the variety of demand is extensive. Nearly 80% of the advertised projects on the MDT website (June 15-July 15, 2007) had implications for an environmental service provider. In addition, the majority of the federal highway projects active in Montana had environmental components. The Department of Defense, the Montana National Guard, and the Department of Homeland Security regional project also have environmental service components.

Montana does have a good foundation for providers. The state university system has several strong programs for environmental engineers, which suggests future supply of qualified service providers is very strong. The cultural demand for responsible land use and environmental practices has made environmental sensitivity a critical dimension in any construction project. This cultural demand is quickly becoming public policy. More and more regulatory policies are mandating greater environmental oversight. Consequently, we expect the demand for providers will remain strong far into the future.

Competition may present a challenge for new entrants into the market. Demand for environmental support services has been increasing steadily for over 20 years. In that time, several engineering firms have integrated environmental services into their engineering services packages. Further, the attractiveness of the market has sparked the rapid development of specialized environmental service companies. The potential for supply saturation is real. However, the demand curve for service suggests it will take several years before the supply exceeds demand, which means that the market opportunities will remain sufficiently strong to support new entrants.

Perhaps the biggest challenges facing environmental service providers are certification and currency. Most environmental service requirements mandate professional certifications. Beyond education and experience, the industry seeks consistency of service through certification. Further, they require the servicing firm to remain current in the science and regulation of environmental compliance. Maintaining regulatory currency and professional certifications can impose a significant operational expense on the service provider. In a highly competitive market, it can be difficult for smaller businesses to manage these costs while still protecting necessary fragile financial margins. Further, smaller firms, with limited personnel, have a difficult time finding the

time to release workers for training so they can maintain currency. In those cases, the inability to free workers to attend the necessary continuous development training forces them out of the environmental service industry.

In general, environmental service providers can expect the service demand to remain high and the market to remain excellent. However, the operational costs of recruiting qualified personnel, along with the cost of maintaining currency and certification, are comparatively high. Smaller firms struggle to remain competitive in this strong market. Consequently, success for small and emerging firms will require keen market awareness, strong capture strategies, sound financial practices, and sophisticated market management. The risk-reward benefits for existing and new firms are excellent and those with the soundest management practices are expected to do well in this market.

The greatest demand for environmental services appears to be in the areas of:

- Research and development services
- Management and disposal of hazardous materials services
- Land use management services
- Development and implementation of materials recycling programs, particularly reuse of major construction materials such as concrete, asphalt, metals, and petroleum-based building materials
- “Green” architectural and civil engineering design services
- Soils management services
- Water management (surface, ground, sub-terrarium)

Firms willing to invest in these and other innovative environmental services will enter and participate in a strong market.

#### • **Other Services**

The regional economy for the Northwest (Montana, Wyoming, Idaho, Washington, and Oregon) is strong. Economists for the Federal Reserve Bank of Minneapolis anticipate solid employment gains in Montana for 2007 and they are expecting the growth in natural resource and mining sectors to be at the heart of the growth. (Raise Montana, 2007) For the business community and suppliers, this translates into a strong year, which means the demand for the full range of services will also be strong.

The services areas discussed above provide the most robust growth; however, the demand for all services suggests stability and growth. Growth in metropolitan areas, expanding interest in the recovery of natural resources (oil, gas, mining, and timber), mild but measurable eastward migration from the West Coast, and growth in information technology will energize all service areas listed below.

- Business services, i.e., accounting support, legal services, insurance, consulting, graphic design, printing support, etc.
- Facilities support, i.e., janitorial, grounds maintenance, HVAC services, etc.

- Health services, i.e., primary care, child day care, adult care, etc.
- Vehicle maintenance services, i.e., auto repair, routine maintenance quick stops, auto body repair services, etc.
- Recreational support services, i.e., RV services, all terrain vehicle services, marine services, etc.
- Security services.

Further, this demand appears to be equally distributed between government and commercial markets. The most recent budgetary actions by the legislature reflect the government’s desire to continue its investment in the future of the state. Growths fueled by renewed interest in energy development and expanded development of information technology capabilities are being seen in the expanding commercial markets.

## Supply Opportunities

Business Opportunity Rating: **GOOD to EXCELLENT**

Just as service opportunities have improved, so have the opportunities for commodities suppliers. Whether government projects or commercial enterprises, the demand for supplies to support new growth is good. The federal and state governments are both funding major new projects. The activity from those projects will increase the demand for construction materials, office furniture, equipment, and office supplies. Private sector growth has increased the demand for consumer goods, retail options, and entertainment options. Missoula, Bozeman, Helena, Great Falls, and Butte have each seen the addition of new retail enterprises. Projections for the next five years indicate that several areas will see construction of several national, box store operations, particularly in home improvement retail. Increase regional demand from Wyoming and Idaho will continue to improve opportunities for Montana suppliers. Taken together, the economic forecast for the next five years is good. (Polzin, 2007)

**Section Summary:** *Montana and adjacent state economies are strong. Growth fueled by expanding energy exploration and development, expanding information technology development, and rising populations have and will continue to strengthen economies. Business opportunities in these economies will also continue to be strong with moderate growth projected for the next 3 to 5 years. The demand for services will be greatest in all areas of the construction industry, service areas in the information technology industry, and all areas of the environmental services industry. The demand will also increase demand for other services, particularly support services. As service demand increases so does the demand for supplies and equipment. Industrial suppliers, equipment manufacturers, specialty equipment suppliers, and general commodities suppliers can expect supply demands to remain active. Both service and commodities suppliers will find the demand equally distributed between government and commercial markets; however, the government markets are expected to provide greater long-term security.*

## CHALLENGES

The challenges for business in Montana are two-fold. For established businesses, the challenges are those associated with growth. Many companies wonder whether or not to expand capabilities, remain in existing markets, or expand into new markets. For new and emerging businesses, most experience the survival challenges. For those supplying the State of Montana, and the Department of Transportation, the challenges include finding the management personnel with experience in government contracting, securing the necessary start up capital to survive the lag between project start and the beginning of the payment cycle, and being able to secure the required bonding to satisfy government surety requirements. Below is a more detailed discussion of each of these challenges. (See also Appendix 5 for a more specific breakout by category.)

### Management

Almost 98% of Montana's businesses meet the small business size standard established by the federal government. Of those businesses, nearly 65% have 20 or fewer employees. Most of the management experience is fully engaged in the management of those employees and overall business. This leaves few resources for dedicated or specialized management activity such as single-project management, contract administration, or quality control.

For those bidding government contracts, the lack of management depth makes it difficult to provide all the management support required. The burden on contractors to provide most of the project management support for the government project is made more challenging because the government also has very limited organic project management resources. The complexity of government regulatory policies, the heavy administrative reporting burden, and the strict quality requirements often overwhelm the small business management and administrative staff.

### Financial

The average medium duty backhoe can cost as much as a \$100,000.00. The cost of a heavy-duty utility pickup can exceed \$50,000.00. A contractor may spend over \$250,000.00 for an excavator. Leasing can improve cash flow, but the startup outlay is substantial. The cost for supplies on a \$1,000,000.00 exit renovation can exceed \$250,000.00 and a contractor may have to spend or charge half that amount before actually beginning site work. For that same project, with routine building and construction requirements, it will take a crew of approximately 20 skilled laborers, to include a project manager (engineer), heavy equipment operators, concrete workers, traffic controllers, and road painters. Bonding premiums will be several thousand dollars. Operating support, i.e., administrative staff, accounting, contract administration, quality control, testing lab, etc., will account for about 15% of the total project cost. At the same time, it may be as much as 60 days between submission of an invoice and payment. The financial burden for the service providers is substantial. Those capital and operational costs are not much better for support services and commodities providers.



Most providers understand the challenge and are prepared to manage them. However, it is common for new starts and emerging businesses to either underestimate these costs or find it challenging to secure the necessary support financing, making it common for most new businesses incapable of taking advantage of new opportunities. More than 50 of 100 new businesses will not survive the first two years of operation and only about 25 will be in business five years after opening their doors. While some choose to leave and some merge with others to improve their competitive position, most failure can be attributed to poor financial health.

The attraction of new markets based on growth will dramatically increase competition in the short term, with conditions improving as the economy reaches equilibrium. Extra-regional suppliers monitoring local economies will invest in business expansion. Existing local suppliers will attempt to expand capacity to meet increasing demand. Entrepreneurs will speculate on the potential for new opportunities, and thus seek investors willing to support those endeavors. The increased competition improves value for the consumer; however, it also introduces greater risk. Customers seeking greater value sometimes learn that cheaper is rarely better. The financial risks, even in a growing economy, are substantial. Montana growth is not a national experience. The number of foreclosures and bankruptcies are increasing rapidly. Financial institutions have become more conservative as they monitor the world events, which make it more expensive and more difficult for businesses to finance operations. Government assistance has been falling steadily for the last ten years. The Small Business Administration has cut its local presence (Montana, Wyoming, and Colorado) by over 60% since 1998. Taken together, it spells significant challenge for suppliers that hope to share in the optimistic regional economy.

## Bonding

In addition to adding operational costs, bonding imposes a challenge for all wishing to participate in government and/or commercial business. Many of the new regional opportunities are found in government markets. The federal government requires bonding on construction and most service contracts over \$100,000. Montana adopts federal standards on all projects with federal funding, and often expands surety requirements to include service contracts between \$25,000 and \$100,000. Bonding will add anywhere from three to five percent to the operational costs of providing services.

New and emerging businesses have it much tougher than established business in securing bonding. Established businesses will usually have the financial health, established performance record, and the necessary business relationship to secure project surety. However, new businesses will find it much more difficult. They often lack past performance, operational history, and knowledge of the surety process to be able to get the necessary bonding support.

There are some programs designed to provide assistance to businesses that need to find and secure bonding. The Small Business Administration (SBA) has guarantee programs

that can reduce the bonding agencies risk for issuing a bond, but they do not bond projects themselves. In some instances, SBA business advocates can work with government requirements to either reduce or eliminate bonding requirements for smaller procurements that have been set aside specifically to encourage new business participation. However, securing bonding remains a contractor responsibility. Most bonding agencies have very specific bonding policies, which mean bonding is and will remain a significant hurdle for small and emerging businesses. (See Appendix 5 for a more complete discussion of bonding requirements.)

## For MDT

The Montana Department of Transportation (MDT), as a major consumer, faces some unique challenges when it comes to requirements satisfaction. First, the agency must balance the interests of their internal service constituents with the interests of the supplying community. Internal constituents generate the requirements and have a responsibility for delivering agency services, which makes the primary concern finding sources that can provide sources to deliver support when needed and at a price they can afford. Supplying communities are concerned with generating enough business and creating enough margin to remain in business. Both contingencies are working toward the same goal, i.e., creating service value; however, their idiosyncratic approaches often create conflict. MDT is expected to facilitate the exchange and manage the conflict, which often presents the organization with a significant challenge.

As indicated in the SWOT analysis above, MDT has very limited resources to dedicate to sourcing management. There is some funding specifically for developing business, but MDT must use administrative budgets to fund promotion and assistance. MDT does not have dedicated marketing personnel. Promotion activities are provided by acquisition teams, program management teams, and vendor assistance personnel. Therefore, finding the necessary personnel to assist an expanding supplier base and support organizational growth will be an on-going challenge for both organizations.

Finally, the Montana Department of Transportation (MDT) does not have a large promotional budget. Funding additional outreach events, developing additional outreach material, and/or funding additional outreach assistance will require strict budgetary and human resource discipline. Efficiency will be a major component of determining the effectiveness of the program. The challenge of building business while maintaining strict cost management can be substantial.

**Section Summary:** *As expected, the number of challenges seems to be directly correlated to the number of opportunities. Limited existing human capital, combined with greater performance expectations will create a serious challenge for most businesses. Finding financing in an international and national economy bothered by instability and rapidly shifting market strength will be harder for small and emerging businesses, but every business regardless of size, will find it more challenging to secure the necessary funding to support the significant cost of project startup. Bonding will continue to be a challenge for service providers. Small and emerging businesses often lack the financial stability and performance history to secure bonds. Larger businesses will find it difficult to carry multiple bonds as resources are stretched further and further. MDT is faced with the challenge of providing more and more assistance as traditional service agencies like the Small Business Administration continue to shrink. Both organizations have limited funds to dedicate to outreach; and neither organization has all the internal human resource it needs to dedicate FTEs to the effort. In spite of the challenges faced by both suppliers and consumers, NWS is very optimistic and we believe that there are many ways in which MDT can improve the effectiveness of their outreach program.*

## RECOMMENDATIONS

Developing marketing solutions and making recommendations for outreach program is always tricky for a consulting firm. On one hand, we have the resources and ability to thoroughly study the problem, which often leads us to developing “optimal condition” solutions. In a perfect world, with a straight, unobstructed path to the objective, providing optimal solutions is good business. Unfortunately, one rarely encounters optimal conditions. The Montana Department of Transportation (MDT) is a government agency with limited resources, substantial regulatory oversight, and very specific organizational responsibilities, which means they must find ways to make improvements in other than optimal conditions.

New West Strategies worked hard to develop recommendations consistent with the environmental realities faced by both organizations. Our recommendations are designed to account for environmental limitations, and we have attempted to develop our best guidance given those limitations. Below is a list of recommendations NWS believes will result in significant and measurable improvements to the effectiveness of MDT’s outreach program. We have also provided recommendations in the form of example marketing materials, suggested contractor assistance materials, analytical support materials, foundational market strategies, and suggested performance metrics. (See Appendices) It is our honest and sincere belief that given the quality of the organization and its exceptional dedication, MDT can and will achieve their organizational objectives for supplier sourcing and outreach.

### Acquisition Management

Being a public organization with unusually high requirements for transparency and process fairness, the Montana Department of Transportation (MDT) is limited in its ability to change acquisition policy. Most of the procurement and marketing requirements are developed and overseen by federal and state acquisition organizations. However, as an agency with responsibility for requirement generation and with special vendor assistance responsibilities, it does have the ability to affect how organizational demand is expressed to the supplying community.

New West Strategies believes that MDT could improve contractor participation, particularly the participation of small and emerging businesses, by making minor changes to the acquisition management program.

- **Unbundling Requirement.** Approximately fifteen years ago, government agencies began “bundling” requirements in an attempt to lower administrative costs. Combining requirements or bundling is the practice of merging requirements into single larger requirements. While this practice has had some cost reduction benefit, it has made it more difficult for single service and smaller suppliers to participate in the process. Bundling tends to increase program management risk, increase start costs, and reduce competition. By “unbundling” requirements, i.e., breaking them up into

smaller and more discrete packages, the agencies will make it easier for single service and smaller suppliers to participate.

By breaking larger requirements into more specific and smaller packages participation is expected to increase and therefore, produce economic benefits for both the MDT and their suppliers. First, the increasing participation increases competition. Increased competition improves the effectiveness of market forces, which in turn tends to produce better consumer value. Second, increased participation tends to promote greater supplier innovation, particularly for entrepreneurs seeking competitive advantage in traditional markets. Third, as the number of participants increases, the overall health of the economy tends to improve. Business development fueled by expanding opportunities tends to spread risk, increase market diversity, and improve market resiliency.

New West Strategies believes unbundling requirements and expanding the opportunities for single-service and smaller suppliers to participate will more than offset the increased administrative burden associated with increased government project-management responsibilities. We also believe that the impact of increasing government workload might be partially mitigated by raising contract vehicle dollar limits and improved acquisition practices.

- **Single External View.** Data generated from this study suggests that the external community is somewhat confused by the separation of acquisition responsibilities within state agencies. Within the Department of Transportation (MDT) there are three separate agencies responsible for acquisition. In addition, the Department of Administration has discrete responsibility for computer technology acquisitions and some centralized buying activities. Much of the vehicle maintenance acquisition activity is overseen by the General Services Administration (GSA). And, much of the support for major state agencies like MDT and the Montana National Guard, are managed by federal acquisition teams. The diversity of entry into Montana's government market tends to make it confusing for external constituents seeking either to find passage into the system or seeking resolution for specific project concerns. Developing a consolidated, single acquisition portal will help reduce confusion and will improve supplier satisfaction with customer service.
- **Tailor the outreach to better fit the target audiences.** Montana has the fourth largest geographic footprint in the United States. Further, Montana is made up at least five very distinctive regions. The distance between Helena (the major source of government acquisition activity) and many of the regions can be significant, sometimes exceeding 400 hundred miles. Developing regional sourcing and encouraging regional supplier participation can present a unique challenge for both government and supplying agencies. Bid openings, training seminars, business development conferences, technical assistance, and other services tend to be concentrated in Helena, Billings, and Missoula. It can be difficult for some suppliers to travel back and forth to Helena to participate in government opportunities. At the same time, the distance between Helena and other centers of activity, can make it

difficult for outreach agencies to effectively service their constituents. Finally, the distance between regions can mask regional differences, and the solutions that have not been adapted to account for differences may be less effective.

Overcoming regional differences that influence outreach will not be easy. Distance is a reality as is the reality of limited resource availability. However, adjusting to less than perfect market conditions by leveraging technology and consolidating outreach activities will improve the effectiveness of outreach programs. The state has access to a network of video conferencing centers that could be used to extend training availability. Agency cooperation on public reach could reduce individual agency costs and agency networking could improve the effectiveness the overall state outreach programs. Multiple agency public events would make it easier for each agency to provide support and reduce the individual event costs. State agencies could reduce outreach costs while increasing presence by increasing their participation with professional associations in association activities.

In May 2007, Senator Max Baucus, with the cooperation and support of Senator John Tester and Congressman Denny Rehberg, sponsored an economic development conference in Butte. Based on the record-breaking attendance figures, this was one of the most successful economic development conferences in the state's history. Two noteworthy characteristics of this conference were regional placement and post-conference follow-up. Each year the conference is held in a different part of the state. That sensitivity to regional difference is partially responsible for the conference's success and provide further support for the development of regional outreach. Second, the conference sponsors have remained aggressively committed to following up with conference participants. Using email and their website, they regularly post newsletters, public announcements, policy announcements, and business opportunities, which reflect their dedication to constituency service and their sensitivity to regional variation.

- **Improve Navigability of the MDT Website.** Data from the study provides persuasive support for the proposition that MDT could improve the outreach program by making improvements to the MDT website. Portal traffic, MDT interviews, and the contractor survey confirm the importance of MDT's web portal as a means for communicating information about MDT activities, i.e., agency outreach. The study's data also suggest that internal and external constituents believe the site can be difficult to navigate and it can be frustrating to find specific information on contracting opportunities.

Our investigation suggests good to excellent satisfaction with the quantity of information available to participants. However, the data also suggests linking designs, presentation, and some operational problems can be frustrating for the user. Graphic improvements, functionality improvements, more discrete and obvious linking improvements, and improved printing functionality could greatly increase the effectiveness of the important outreach tool. Therefore, New West Strategies

recommends that MDT make specific presentation and functionality improvements to their website.

- **Develop Focused Marketing Approach.** Similar to the recommendations for regional marketing improvement recommendations, NWS believes that MDT could improve the effectiveness of their outreach program by developing more discrete marketing solutions. Requirements advertising, training, and assistance tend to be generic in flavor and content. In an attempt to improve the marketing efficiency, MDT may have sacrificed some of the effectiveness of the program. Consequently, MDT could improve the effectiveness of their outreach program by developing more focus constituency marketing products.

Focused supplier materials based on greater individual constituency sensitivity can encourage receptivity and promote greater involvement. Participant response is sometimes adversely affected if the marketing agency attempts to cover too much material or tries to reach too many audiences with a single outreach instrument. In the instant case, the needs and concerns of smaller businesses tend to be significantly different from those of larger, established businesses. The questions and concerns of a service provider differ markedly from those of commodity suppliers. The information needs of environmental service providers tend to be dramatically different from those of a paving company. Finally, suppliers looking for conflict resolution support have very different information needs when compared to those looking for payment information. MDT materials tend to be detailed and comprehensive; however, they also tend to lack specificity and content focus. The lack of specificity and focus can reduce the materials marketing effectiveness and NWS recommends that MDT develop more focused marketing strategies and materials.

## **ANALYSIS CONCLUSION**

In 2006, the Montana Department of Transportation (MDT) commissioned New West Strategies, Inc. (NWS) of Helena, Montana to conduct a study of their business outreach program. Specifically, MDT asked NWS “to study what opportunities are available for new or expanding businesses in Montana highway construction and consulting industries through out the State.” In satisfaction of this requirement, NWS developed a literature review of best practices, interviewed MDT employees, conducted a survey of active contractors, and studied current federal and state construction activities. Our study suggested that:

1. The economic forecast for Montana is good to excellent. Fueled by population migration/growth, renewed enthusiasm for domestic transportation infrastructure, and emerging interest in developing Montana’s energy resources, the 5-year forecast predicts economic strength and stability.
2. The opportunities for Montana businesses of all sizes are good. Partially explained by optimistic economic forecasts and partially explained by existing national objectives for security and efficiency of domestic road systems, the demand for services and supplies is strong and diverse.
3. The current MDT outreach program can be improved to further increase its effectiveness and MDT can be major brokers in the further maturation of state sourcing capabilities.
4. There are limited fiscal and human resources available to dedicate to an outreach improvement and expansion; however, technology, greater reliance on cooperative relationships, and material refinement can be used to optimize existing resources to achieve MDT’s outreach objectives.
5. Constituency responses suggest that there is high interest from both internal and external constituents for an effective outreach solution.
6. Constituency responses also suggest that improvements in access and user-friendliness of the MDT website, improvements in information content (specifically the specificity of materials), and expanded assistance would increase the effectiveness of the outreach programs.
7. Focusing the external image of MDT (and state) acquisition assistance would make it easier and more practical for external users to find information about state opportunities and to business assistance availability.
8. Developing region specific outreach solutions would improve statewide access to businesses and may improve localized participation in state projects.
9. Developing more discrete marketing solutions, i.e., less generic information packages, could improve the effectiveness of those materials that will result in greater participation.
10. Small and emerging businesses need specialized assistance to secure the financing and bonding needed to participate in some projects. This can be partially mitigated by separating larger projects into smaller, more specific requirements.

To further facilitate MDT’s outreach effort, New West Strategies developed a package of suggested marketing improvements. The suggested marketing toolkit includes samples



of marketing material improvements; checklists, and other materials that can be used to further MDT's marketing objectives. NWS also provided MDT with a suggested marketing strategy for deploying these materials. The marketing strategy also includes some suggested organizational improvements that will make access to existing informational services more user-friendly. Finally, NWS provided MDT with some metrics to measure the effectiveness of their expanded outreach efforts.

While our design and research focused on improvements to the MDT outreach program for transportation (particularly highway), many of our observations and recommendations can be applied to the full range of government acquisition activities. Further, our study included an examination of general economic conditions, which makes some of the conclusions and recommendations meaningful for understanding commercial development.

For the most part our study was cross-sectional rather than longitudinal, which may affect robustness of our predictions. Montana is currently enjoying a period of economic growth. That economic growth is creating several regional opportunities for Montana's business communities. At the same time, the national economy is growing at a slower rate and some regions are exhibiting signs of decline. Changes in regional economy resulting from a less robust national economic growth could affect the number and diversity of opportunities currently available. Further, a shift in national priorities based on shifting political climates could significantly affect continued support for infrastructure development. Therefore, any predictions or changes based on this study's cross-sectional data should be approached with caution.

New West's Strategies recommendations are based on current best practices. They are also based on specific recognition of environmental limitations. Changes in funding and staffing at MDT could materially affect their appropriateness and effectiveness. In an optimal marketing environment, the marketing practices we recommend have shown to be effective. We have attempted to take into consideration environmental variations and only provide guidance that will account for those variations. Government acquisition policy can be very restrictive and each solution must be viewed in terms of those restrictions. Transparency of operations, limitations in government-vendor relations, security requirements, and socio-economic requirements have and will continue to influence government outreach efforts.

## **CONCLUSION**

Shrinking public budgets, increase competition, and societal changes have significantly changed the marketing activity of governmental agencies. The need for “value” in service acquisition and provision has forced agencies to become more proactive in their organizational and opportunities marketing. Unfortunately, budgetary reductions in support activities have made it increasingly difficult to support the demand for increased agency marketing. However, advances in technology are making it easier to reach a wide audience while holding costs to a minimum.

The Montana Department of Transportation and the Office of Disadvantaged Business Enterprises have demonstrated their proactively by commissioning this market analysis. This Appendix to that analysis was intended to provide information and recommendation on how MDT can effectively manage the distribution of informational and educational materials. As is evidenced in the discussion above, NWS has recommended MDT continue to maintain diversity in its distribution methodologies. Further, we have recommended that MDT optimize the use of existing materials and branding to hold down the cost of material development. We have also made specific distribution recommendations (including an activities schedule) to improve the effectiveness of MDT’s distribution efforts.

While most government agencies are not accustomed to developing and supporting active external marketing, it has become a necessary condition for operational effectiveness. Commercial markets have always been active in marketing their organizations, products, and services. Therefore, it is reasonable to borrow heavily from the branding and new product introduction lessons learned by those organizations. First and foremost, we can borrow their best marketing practices. Their knowledge of branding, message control, and organizational participation provide a rich source for developing new marketing applications such as government agency opportunities marketing.

NWS has attempted to develop recommendations based on established marketing concepts and proven marketing best practices. Nonetheless, creating and implementing an effective marketing solution will take time. Further, it will take organizational recognition of the contribution marketing can make to achieving organizational objectives. Most of this study has been dedicated to developing external community marketing solutions, but this is not to suggest that internal marketing is less important. NWS made a conscious decision to concentrate on external community marketing because during our study we found evidence of strong organizational support for the mission and vision of the organization. Nonetheless, the success of MDT’s outreach effort will depend on the quality of its internal and external community marketing planning and implementation.

## REFERENCES

Baucus, Max, "Transportation," *Montana, United Senator Max Baucus*.  
<<http://baucus.senate.gov/transportation.cfm>> (Accessed January 28, 2007).

a Benn, Robert J. LTC et al., "Industry Study 2001: Transportation." Washington, DC: The Industrial College of the Armed Forces.  
<[http://www.ndu.edu/icafe/industry/reports/2001/pdf/2001\\_TRANSPORTATION.pdf](http://www.ndu.edu/icafe/industry/reports/2001/pdf/2001_TRANSPORTATION.pdf)> (Accessed March 27, 2007).

b Benn, Robert J. LTC et al., "Industry Study 2001: Transportation." Washington, DC: The Industrial College of the Armed Forces.  
<[http://www.ndu.edu/icafe/industry/reports/2001/pdf/2001\\_TRANSPORTATION.pdf](http://www.ndu.edu/icafe/industry/reports/2001/pdf/2001_TRANSPORTATION.pdf)> (Accessed March 27, 2007).

c Benn, Robert J. LTC et al., "Industry Study 2001: Transportation." Washington, DC: The Industrial College of the Armed Forces.  
<[http://www.ndu.edu/icafe/industry/reports/2001/pdf/2001\\_TRANSPORTATION.pdf](http://www.ndu.edu/icafe/industry/reports/2001/pdf/2001_TRANSPORTATION.pdf)> (Accessed March 27, 2007).

d Benn, Robert J. LTC et al., "Industry Study 2001: Transportation." Washington, DC: The Industrial College of the Armed Forces.  
<[http://www.ndu.edu/icafe/industry/reports/2001/pdf/2001\\_TRANSPORTATION.pdf](http://www.ndu.edu/icafe/industry/reports/2001/pdf/2001_TRANSPORTATION.pdf)> (Accessed March 27, 2007).

Christensen, Tyler, "Building down — New home construction in Montana is slowing, prices rising." *InBusiness Monthly*, 4:3. <<http://www.mtinbusiness.com/inbiz-0603/bus10.php>> (Accessed February 2007).

Davis, Angela, "Statement of Angela B. Styles, Administrator for Federal Procurement Policy, Before the Readiness and Management Support Subcommittee on Armed Services, United States Senate, Office of Management and Budget."  
<<http://www.whitehouse.gov/omb/legislative/testimony/styles031903.html>> (Accessed April 19, 2007).

Emory, C. William, *Business Research Methods* 3<sup>rd</sup>. ed. Richard D. Irwin, Inc., 1985. 55-84.

Federal Acquisition Regulation (FAR), "Subpart 22.4 Labor Standard for Contracts Involving Construction." <<http://www.arnet.gov/far>> (Accessed May 17, 2007).

a McGraw-Hill (Dodge Report), "Dodge Index reveals June contracting down 4 percent," AllBusiness: A Data Company.  
<<http://www.allbusiness.com/marketing/market-research/256426-1.html>> (Accessed June 7, 2007).

## REFERENCES

b McGraw-Hill (Dodge Report), "Dodge Index reveals June contracting down 4 percent," AllBusiness: A Data Company. <<http://www.allbusiness.com/marketing/market-research/256426-1.html>> (Accessed June 7, 2007).

Montana Business Leaders Council, "2007 Property Tax Scorecard." <<http://www.mblconline.net/documents/Property%20Tax%20Scorecard%20House.pdf>> (Accessed March 27, 2007).

Montana Department of Administration, "Invitations for Bids and Requests for Proposals." <<http://gsd.mt.gov/osbs/default.asp>> (Accessed November 14, 2008).

Montana Department of Labor and Industry, "Montana at a Glance." <[http://msl.mt.gov/rss\\_feeds/feed.asp?hk=^B181{LIST}&Library=Montana%20State%20Library%20-%20Department%20of%20Labor%20and%20Industry](http://msl.mt.gov/rss_feeds/feed.asp?hk=^B181{LIST}&Library=Montana%20State%20Library%20-%20Department%20of%20Labor%20and%20Industry)> (Accessed March 27, 2007).

Montana House of Representatives, 59<sup>th</sup> Sess., "Reports of Stranding Committees," House Journal 59th Legislature. <<http://data.opi.mt.gov/bills/2005/HJrnl/HJ00AD.pdf>> (Accessed April 11, 2007).

Montana Main Street Blog, "Another reason for the legislature to reject SB220." <[http://montanamainstreetblog.typepad.com/montana\\_main\\_street\\_blog/2007/03/index.html](http://montanamainstreetblog.typepad.com/montana_main_street_blog/2007/03/index.html)> (Accessed November 13, 2008).

Montana, Office of Budget Programming and Planning, "2007 Biennium Executive Budget." <[http://mt.gov/budget/budgets/2007\\_budget/2007\\_budget.asp](http://mt.gov/budget/budgets/2007_budget/2007_budget.asp)> (Accessed May 17, 2007), 41.

Montana, Office of the Governor (MT GOV), "Schweitzer/Bohlinger 'New Day' Economic Development Roadmap." <<http://governor.mt.gov/governor/goalsattb.asp>> (Accessed April 12, 2007).

Montana. State Legislature. House Bill No. 756. Helena, Montana: 2005. <<http://data.opi.mt.gov/bills/2005/billhtml/HB0756.htm>> (Accessed November 14, 2008).

Montana. State Legislature. House Bill No. 776. Helena, Montana: 2005. <<http://data.opi.mt.gov/bills/2005/billhtml/HB0776.htm>> (Accessed November 14, 2008).

Montana. State Legislature. Senate Bill No. 293. Helena, Montana: 2005. <<http://data.opi.mt.gov/bills/2005/billhtml/SB0293.htm>> (Accessed November 14, 2008).

## REFERENCES

a NetMBA Business Knowledge Center, "Pest Analysis."  
<<http://www.netmba.com/strategy/pest>> (Accessed November 12, 2006).

b NetMBA Business Knowledge Center, "Pest Analysis."  
<<http://www.netmba.com/strategy/pest>> (Accessed November 12, 2006).

Polzin, Paul E. "Montana's Headline-Grabbing Growth Continues," *Outlook Montana*, University of Montana, Bureau of Business and Economic Research, 45:1.

Raise Montana, "Remember this Argument (Friday June 29, 2007)."  
<<http://www.raisemontana.org>> (Accessed July 11, 2007).

Research and Innovative Technology Administration (RITA).  
<[http://www.its.dot.gov/its\\_overview.htm](http://www.its.dot.gov/its_overview.htm)> (Accessed October 10, 2008).

Turner, Tyler, "Addressing the Coming Labor Shortage," Montana Department of Labor. <<http://www.ourfactsyourfuture.org>> (Accessed June 9, 2007).

United States Census Bureau, "E-Stats."  
<<http://www.census.gov/econ/www/ebusiness614.htm>> (Accessed February 19, 2007).

a United States Department of Labor, Career Guide to Industries, Truck Transportation and Warehousing. <<http://www.bls.gov/oco/cg/pdf/cgs021.pdf>> (Accessed April 19, 2007), 1-5.

b United States Department of Labor, Career Guide to Industries, Truck Transportation and Warehousing. <<http://www.bls.gov/oco/cg/pdf/cgs021.pdf>> (Accessed April 19, 2007), 1-5.

c United States Department of Labor, Career Guide to Industries, Truck Transportation and Warehousing. <<http://www.bls.gov/oco/cg/pdf/cgs021.pdf>> (Accessed April 19, 2007), 1-5.

United States Department of Labor, Employment & Training Administration, "High Growth Industry Profile, Information Technology."  
<[http://www.doleta.gov/BRG/Indprof/IT\\_profile.cfm](http://www.doleta.gov/BRG/Indprof/IT_profile.cfm)> (Accessed April 18, 2007).

United States Department of Labor, Bureau of the Census, "US Census Bureau State and County Quickfacts." <<http://quickfacts.census.gov/qfd/index.html>> (Accessed January, 17 2007).

United States Department of Transportation, Based on statistics pulled from the Bureau of Transportation Statistics, Transportation database (Annual Energy Review).  
<<http://www.transtats.bts.gov/exit.asp?URL=http%3A//www.eia.doe.gov/emeu/aer/cont>>

## REFERENCES

ents.html> (Accessed June 9, 2007).

United States Federal Business Opportunities. <<http://www.fedbizopps.gov>> (Accessed between January and March 2007).

United States Office of Small and Disadvantaged Business Utilization.  
<[file://PROCUREMENT/FORECAST/Federal highways.mht/OSDBURSERVICES/PROCUREMENTFORCAST/tabid/101/default.aspx](file://PROCUREMENT/FORECAST/Federal%20highways.mht/OSDBURSERVICES/PROCUREMENTFORCAST/tabid/101/default.aspx)> (Accessed February 20, 2007).

XL Environmental, "Trends in Environmental Regulations And Resulting Opportunities." <<http://www.xlenvironmental.com/library/regs.htm>> (Accessed November 14, 2008).

## APPENDIX 1

Summary of Interview Results from Interviews Conducted of MDT Employees between October 2006 and January 2007 (see Table 5 below).

### Notes

- 1) Each interview began with a brief introduction of the project and purpose for the interview. In order to encourage participation, interviewees were told that their answers would be kept confidential and not submitted as part of the final report.
- 2) In order to protect the identity of the individuals participating in the interview processes, answers have been combined and aren't attributable to any individual participant.
- 3) New West interviewed 6 employees in November and 3 more in January. Interviews were conducted both in person in the MDT facility and over the phone.

Table 5: Interview Results

Questions	Responses
How long have you been working for MDT?	The average response was 16.2 years, with some individuals having more than 20 years of experience with the State of Montana and MDT.
How would you classify your knowledge of MDT's organizational objectives?	The range of responses ran from good to excellent. Most described an internal information system that made it very easy for MDT employees wishing to know about the organization and what it is currently doing and is planning to do so. Some suggested that their jobs required that they had a thorough knowledge of MDT's objectives and goals.
Describe for me, how requirements are defined.	The 5-year plan. Some are based on emerging needs such as the need for additional exits in fast growing areas. Some are identified by the legislature. Some are part of the routine maintenance plan. Some are the result of damage --- usually resulting from flooding, frost, or rock slides Supplies requirements are partially determined by the users (internal customers). MDT-IT usually works with the internal customers and the Department of Administration to determine computer and information management technologies. Vehicle and equipment costs are managed internally. Consumables like fuel, lubricants, and parts are determined by the vehicle maintenance.
Who has the responsibility for acquiring the necessary supplies and services?	The acquisition responsibilities are divided among three internal MDT teams, with additional support from the Department of Administration. Routine purchases, commodities acquisitions, and some services are supported by the purchasing department. Large project acquisitions (those involving construction, engineering services, and long-term maintenance) are under the supervision of the project support group. Consulting, some engineering support, and research usually are the responsibility of a specialized R&D acquisition team, which includes a research project manager. Some equipment purchases fall under the control of GSA and MDT places orders under those schedules.

<p>Do the lines of acquisition overlap? If so, how often? If so, how are the responsibilities divided?</p>	<p>Yes sometimes the responsibilities do overlap. When they do, it depends how they are handled. In some cases, it based on workload. In some cases, it is based on future supervision. In some cases, it is based on what area is the biggest part of the acquisition. The policies are fluid and tend to depend on who is in the best position to manage the acquisition.</p>
<p>Has MDT adopted any streamlining processes to reduce the acquisition burden?</p>	<p>[The interviewees requested clarification of the term “streamlining.”] Yes, MDT has adopted some procurement streamlining, but for the most part the State’s acquisition rules are under the supervision of the Department of Administration.</p>
<p>Could you give me some examples of streamlining practices routinely in use in MDT?</p>	<p>MDT does use “credit cards” for some small routine purchases. MDT does use “pre-qualified” vendors lists to reduce the time it takes to solicit and award reoccurring purchases.</p>
<p>What would you say is the best aspect of the current acquisition process?</p>	<p>Answers are arranged from most to least frequent response. The “People” --- this was the first answer out everyone’s mouth both those involved in acquisition and those who were customers. The “service” --- two characteristics were mentioned when clarification was requested: appreciation for the needs of the users and timeliness of response. The users interviewed were particularly complimentary when they talked about the acquisition support. The fairness of the system, i.e., respondents felt that the acquisition system was open, accessible, and treated suppliers fairly. Access to the system. Most users agreed that it was reasonably easy to complete purchasing paperwork. However, one felt that it took too long and was unnecessarily complicated if the requirement was over \$25,000. Most respondents agreed that the system did provide good value, i.e., most of the goods and services provided by the acquisition system were fairly priced and of reasonable quality.</p>
<p>Do you believe MDT has a responsibility to develop additional suppliers? If so, what is the responsibility and whose responsibility is it? If not, who do you believe has the responsibility within the State?</p>	<p>Responses varied a great deal. There were no patterns to the responses. “No, MDT is not responsible for finding new suppliers. I think it’s their job to let people know what they are looking for, but beyond that it is not MDT’s job to promote business.” “No, that’s DBE’s job.” “I don’t know exactly who’s job it is to find suppliers. I always thought that we just put out requirements and business decided for themselves whether they wanted to play.” “I don’t think it’s specifically our responsibility to find new suppliers or vendors, but I do think it is our job to represent MDT’s interests wherever and when ever we can. Everyone lives in the community and it is natural to talk about your job. I guess that might bring some new people to us.” “Most of our contractors know what’s happening at MDT. You see a lot of the same people bidding projects. It’s kind of nice to see the goods one returning time after time. It makes it much easier to get things done when you have a little history.” “Most people that work here [MDT] don’t think much about vendors or buying things. So I would say, they don’t see this as anything they are a part of. Those in purchasing and acquisition know that it makes it a little easier if we can find people that can give us what we want, so we do spend a little time checking out new sources.”</p>
<p>What does outreach mean to you?</p>	<p>“To me, it means letting people know what you are doing – like what projects are being worked on.” “Everyone seems interested in what we are doing. I guess I spend a lot of time talking with the community about how a project will affect them. You know—like how long the road cones will be up and when they can expect to see that new exit. Stuff like that. I don’t know if that what you mean by outreach, but I believe that anytime you talk with the community you are doing outreach.” “I’m not the right person to ask that question because that is what I do for a job. It is my responsibility to talk with vendors and help them work with MDT.” “I guess it has something to do with getting people involved with what MDT is doing.”</p>



What does outreach mean to you? <i>Cont.</i>	For me, that means being involved with things going on in transportation and construction. Many of us attend the major construction conference held in the early spring. Some of us even do presentations. Others are always staying up on what going on in project management and we talk all the time with people outside of MDT about what we are doing and ask their advice on what we could do better. I think we are very involved."
Are you aware of this study? What do you think it is suppose to accomplish?	All interviewees had some level of awareness of the study, but most did not have specific knowledge of the requirement. Of those that had specific knowledge of the requirement, there were some differences in what they understood the purpose of the study was. One group understood that it was a preliminary study that would lead to developing better marketing for MDT. Others thought the purpose of the study was to actually do marketing for MDT.
How does MDT advertise upcoming opportunities?	Responses arranged from most to least frequent. The newspaper. The Web – two individuals opened up the MDT website to show the interviewer where specific requirements were advertised. Community meeting in the affected communities. Sometimes we tell out contractors about potential projects. "People who work on MDT projects seem to know before we do. I'm not sure where they get their information."
What changes would you make to improve MDT's outreach program?	[Unanimous first response] Make the website easier to use. Develop a new position for marketing. Hold more community meetings to discuss working with the State and MDT. Participate more in transportation conferences. Nothing.
How good a job do you think MDT is doing at working with the community to accomplish its organizational goal?	Good to Excellent. Without exception, every respondent was very positive and believed that MDT did a very good job of working with the community. They cited several community activities that MDT employees participated in and shared a lot of examples of how MDT as an organization promoted community involvement.

## Additional Interviewer Observations

The cooperation with the interviews was exceptional. Everyone identified to participate was generous with their time and took the interview very seriously.

Organizational identification was particularly high and very noticeable. From the sign in desk, to the office of some of the most senior supervisors, one could see evidence of affiliation and pride.

There was some concern expressed in the non-structure aspects of the interview that there weren't enough people to get everything done. No one complained, rather they talked about how everyone was very business and wondered how they were going to be able to make room for the additional requirements that they saw coming down the road. Management support for the project was excellent and reflected a keen understanding of the relationship between outreach and MDT's ability to achieve their operational objectives.

## APPENDIX 2

Fifty-six (56) out of 400 surveys were returned. Fifty (50) of the returned surveys were complete and provided data useful for analysis. Six (6) surveys were rejected as incomplete. The returned percentage of 25 provides more than sufficient power for the distribution, cross tabulation, and basic non-parametric analysis. In Table 6 below are the frequency, distribution of responses, cross tabulations, and correlation results. Table 7 follows on p. A1-8 with survey taker comments. Also in Appendix 2 are Table 8 (A2-11) and Table 9 (A2-12) discussing covering statistical business analyses.

Table 6: Summary of Individual Responses

<b>Question 1: Please select the category that best describes your business type. (Select only one)</b>				
<b>Valid</b>	<b>Frequency</b>	<b>Percent</b>	<b>Valid Percent</b>	<b>Cumulative Percent</b>
Other	1	2.00	2.00	2.00
Civil engineering firm	6	12.00	12.00	14.00
Construction firm	17	34.00	34.00	48.00
Paving and/or asphalt contractor	4	8.00	8.00	56.00
Painting and/or striping contractor	1	2.00	2.00	58.00
Signage contractor	1	2.00	2.00	60.00
Structural contractor	20	40.00	40.00	100.00
<b>Total</b>	<b>50</b>	<b>100.00</b>	<b>100.00</b>	

<b>Question 2: Please select the category that best describes your business size. (Select only one)</b>				
<b>Valid</b>	<b>Frequency</b>	<b>Percent</b>	<b>Valid Percent</b>	<b>Cumulative Percent</b>
Large (revenues in excess of \$25 million annually for each of the last 3 years.)	5	10.00	10.00	10.00
Medium (Annual revenues between \$5 and \$24 million.)	8	16.00	16.00	26.00
Small (Annual revenues of \$3 million or less.)	20	40.00	40.00	66.00
Small emerging (Annual revenues of \$1 million or less.)	17	34.00	34.00	100.00
<b>Total</b>	<b>50</b>	<b>100.00</b>	<b>100.00</b>	

<b>Question 3: Please select the category(s) that best describe your business status. (Select as many as apply.)</b>				
<b>Valid</b>	<b>Frequency</b>	<b>Percent</b>	<b>Valid Percent</b>	<b>Cumulative Percent</b>
8a (Socially and economically disadvantaged)	1	2.00	2.00	2.00
Veteran owned	3	6.00	6.00	8.00
Service - Disabled veteran owned (SDVOB)	3	6.00	6.00	14.00
Woman-owned	10	20.00	20.00	34.00
Tribally-owned	3	6.00	6.00	40.00
No recognized status	30	60.00	60.00	100.00

<b>Total</b>	<b>50</b>	<b>100.00</b>	<b>100.00</b>
--------------	-----------	---------------	---------------

**Question 4: Please select the state where your company is registered as business. (Select only one.)**

Valid	Frequency	Percent	Valid Percent	Cumulative Percent
Montana	34	68.00	68.00	68.00
Adjacent Northwest region other than Montana (Idaho, Washington, Oregon)	7	14.00	14.00	82.00
Adjacent Western region (Wyoming, Colorado)	4	8.00	8.00	90.00
Adjacent Eastern region (South Dakota, North Dakota)	3	6.00	6.00	96.00
Other	1	2.00	2.00	98.00
No Response	1	2.00	2.00	100.00
<b>Total</b>	<b>50</b>	<b>100.00</b>	<b>100.00</b>	

**Question 5: Please indicate how long your business has been in operation.**

Valid	Frequency	Percent	Valid Percent	Cumulative Percent
More than 20 years	1	2.00	2.00	2.00
Between 19 and 15 years	22	44.00	44.00	46.00
Between 14 and 10 years	7	14.00	14.00	60.00
Between 9 and 5 years	12	24.00	24.00	84.00
Between 5 and 3 years	6	12.00	12.00	96.00
Less than 3 years	1	2.00	2.00	98.00
No Response	1	2.00	2.00	100.00
<b>Total</b>	<b>50</b>	<b>100.00</b>	<b>100.00</b>	

**Question 6: Has your firm done business with the State of Montana?**

Valid	Frequency	Percent	Valid Percent	Cumulative Percent
Yes	40	80.00	80.00	80.00
No	10	20.00	20.00	100.00
<b>Total</b>	<b>50</b>	<b>100.00</b>	<b>100.00</b>	

**Question 7: Has your firm done business with the Montana Department of Transportation?**

Valid	Frequency	Percent	Valid Percent	Cumulative Percent
Yes	38	76.00	76.00	76.00
No	11	22.00	22.00	98.00
No Response	1	2.00	2.00	100.00
<b>Total</b>	<b>50</b>	<b>100.00</b>	<b>100.00</b>	

**Question 8: If yes to either 6 or 7 above, please indicate the type of service or goods provided.**

Valid	Frequency	Percent	Valid Percent	Cumulative Percent
No Response	6	12.00	12.00	12.00
IT Services	1	2.00	2.00	14.00
Equipment Sales	2	4.00	3.00	18.00
Consulting Services	5	10.00	10.00	28.00
Construction Services	31	62.00	62.00	90.00
Other	5	10.00	10.00	100.00

**Total**                                **50**                                **100.00**                                **100.00**

**Question 9: If yes to either 6 or 7 above, please indicate how many times you have provided services in the last five (5) years.**

<b>Valid</b>	<b>Frequency</b>	<b>Percent</b>	<b>Valid Percent</b>	<b>Cumulative Percent</b>
No Response	8	16.00	16.00	16.00
More than 10 times	18	36.00	36.00	52.00
6-9 times	6	12.00	12.00	64.00
3-5 times	5	10.00	10.00	74.00
1-3 times	13	26.00	26.00	100.00
<b>Total</b>	<b>50</b>	<b>100.00</b>	<b>100.00</b>	

**Question 10: If yes to either 6 or 7, please indicate how you found out about the MDT project.**

<b>Valid</b>	<b>Frequency</b>	<b>Percent</b>	<b>Valid Percent</b>	<b>Cumulative Percent</b>
No Response	5	10.00	10.00	10.00
MDT Website	19	38.00	38.00	48.00
Referral from another contractor	10	20.00	20.00	68.00
Became aware of an opportunity while working on other MDT projects	6	12.00	12.00	80.00
Other	8	16.00	16.00	96.00
Advertisement in the local paper	2	4.00	4.00	100.00
<b>Total</b>	<b>50</b>	<b>100.00</b>	<b>100.00</b>	

**Question 11: Please rate the level of importance you would place on each of the following areas related to support services.**

**Question 11a: Information on upcoming MDT projects.**

<b>Valid</b>	<b>Frequency</b>	<b>Percent</b>	<b>Valid Percent</b>	<b>Cumulative Percent</b>
Critical	15	30.00	30.00	30.00
Very Important	21	42.00	42.00	72.00
Important	9	18.00	18.00	90.00
Not Very Important	3	6.00	6.00	96.00
Not Important	2	4.00	4.00	100.00
<b>Total</b>	<b>50</b>	<b>100.00</b>	<b>100.00</b>	

**Question 11b: Easy access to upcoming MDT projects.**

<b>Valid</b>	<b>Frequency</b>	<b>Percent</b>	<b>Valid Percent</b>	<b>Cumulative Percent</b>
Critical	14	28.00	28.00	28.00
Very Important	24	48.00	48.00	76.00
Important	9	18.00	18.00	94.00
Not Very Important	2	4.00	4.00	98.00
Not Important	1	2.00	2.00	100.00
<b>Total</b>	<b>50</b>	<b>100.00</b>	<b>100.00</b>	

<b>Question 11c: Information on how to do business with MDT, i.e. manuals, checklists, forms, etc.</b>				
<b>Valid</b>	<b>Frequency</b>	<b>Percent</b>	<b>Valid Percent</b>	<b>Cumulative Percent</b>
Critical	9	18.00	18.00	18.00
Very Important	19	38.00	38.00	56.00
Important	16	32.00	32.00	88.00
Not Very Important	4	8.00	8.00	96.00
Not Important	2	4.00	4.00	100.00
<b>Total</b>	<b>50</b>	<b>100.00</b>	<b>100.00</b>	

<b>Question 11d: Information on how to complete bidding packaged for MDT projects.</b>				
<b>Valid</b>	<b>Frequency</b>	<b>Percent</b>	<b>Valid Percent</b>	<b>Cumulative Percent</b>
Critical	7	14.00	14.00	14.00
Very Important	20	40.00	40.00	54.00
Important	13	26.00	26.00	80.00
Not Very Important	8	16.00	16.00	96.00
Not Important	2	4.00	4.00	100.00
<b>Total</b>	<b>50</b>	<b>100.00</b>	<b>100.00</b>	

<b>Question 11e: Instruction seminars on how to do business with MDT</b>				
<b>Valid</b>	<b>Frequency</b>	<b>Percent</b>	<b>Valid Percent</b>	<b>Cumulative Percent</b>
Critical	2	4.00	4.00	4.00
Very Important	12	24.00	24.00	28.00
Important	20	40.00	40.00	68.00
Not Very Important	13	26.00	26.00	94.00
Not Important	2	4.00	4.00	98.00
No Response	1	2.00	2.00	100.00
<b>Total</b>	<b>50</b>	<b>100.00</b>	<b>100.00</b>	

<b>Question 12: Please rate your level of satisfaction with MDT performance in the following areas.</b>				
<b>Question 12a: Advertising upcoming MDT projects.</b>				
<b>Valid</b>	<b>Frequency</b>	<b>Percent</b>	<b>Valid Percent</b>	<b>Cumulative Percent</b>
No Response	1	2.00	2.00	2.00
Extremely Satisfied	5	10.00	10.00	12.00
Very Satisfied	11	22.00	22.00	34.00
Satisfied	16	32.00	32.00	66.00
Somewhat Satisfied	10	20.00	20.00	86.00
Not Satisfied	7	14.00	14.00	100.00
<b>Total</b>	<b>50</b>	<b>100.00</b>	<b>100.00</b>	

<b>Question 12b: Clarity of MDT proposals.</b>				
<b>Valid</b>	<b>Frequency</b>	<b>Percent</b>	<b>Valid Percent</b>	<b>Cumulative Percent</b>
No Response	4	8.00	8.00	8.00
Extremely Satisfied	3	6.00	6.00	14.00
Very Satisfied	10	20.00	20.00	34.00
Satisfied	25	50.00	50.00	84.00
Somewhat Satisfied	5	10.00	10.00	98.00
Not Satisfied	3	6.00	6.00	100.00
<b>Total</b>	<b>50</b>	<b>100.00</b>	<b>100.00</b>	

<b>Question 12c: Ease of complying with MDT bid proposal instructions.</b>				
<b>Valid</b>	<b>Frequency</b>	<b>Percent</b>	<b>Valid Percent</b>	<b>Cumulative Percent</b>
No Response	3	6.00	6.00	6.00
Extremely Satisfied	3	6.00	6.00	12.00
Very Satisfied	13	26.00	26.00	38.00
Satisfied	21	42.00	42.00	80.00
Somewhat Satisfied	7	14.00	14.00	94.00
Not Satisfied	3	6.00	6.00	100.00
<b>Total</b>	<b>50</b>	<b>100.00</b>	<b>100.00</b>	
<b>Total</b>	<b>50</b>	<b>100.00</b>	<b>100.00</b>	

<b>Question 12f: The fairness of the contractor selection process.</b>				
<b>Valid</b>	<b>Frequency</b>	<b>Percent</b>	<b>Valid Percent</b>	<b>Cumulative Percent</b>
No Response	4	8.00	8.00	8.00
Extremely Satisfied	1	2.00	2.00	10.00
Very Satisfied	7	14.00	14.00	24.00
Satisfied	24	48.00	48.00	72.00
Somewhat Satisfied	9	18.00	18.00	90.00
Not Satisfied	5	10.00	10.00	100.00
<b>Total</b>	<b>50</b>	<b>100.00</b>	<b>100.00</b>	

<b>Question 12g: Quality of service you received from MDT acquisition team.</b>				
<b>Valid</b>	<b>Frequency</b>	<b>Percent</b>	<b>Valid Percent</b>	<b>Cumulative Percent</b>
No Response	4	8.00	8.00	8.00
Extremely Satisfied	3	6.00	6.00	14.00
Very Satisfied	8	16.00	16.00	30.00
Satisfied	25	50.00	50.00	80.00
Somewhat Satisfied	7	14.00	14.00	94.00
Not Satisfied	3	6.00	6.00	100.00
<b>Total</b>	<b>50</b>	<b>100.00</b>	<b>100.00</b>	

<b>Question 12h: Quality of service you received from DBE support team.</b>				
<b>Valid</b>	<b>Frequency</b>	<b>Percent</b>	<b>Valid Percent</b>	<b>Cumulative Percent</b>
No Response	4	8.00	8.00	8.00
Extremely Satisfied	1	2.00	2.00	10.00
Very Satisfied	11	22.00	22.00	32.00
Satisfied	23	46.00	46.00	78.00
Somewhat Satisfied	8	16.00	16.00	94.00
Not Satisfied	3	6.00	6.00	100.00
<b>Total</b>	<b>50</b>	<b>100.00</b>	<b>100.00</b>	

Question 13: Please indicate your level of interest in the following.

**Question 13a: MDT Sponsored business day**

Valid	Frequency	Percent	Valid Percent	Cumulative Percent
No Response	4	8.00	8.00	8.00
Extremely Interested	2	4.00	4.00	12.00
Interested	8	16.00	16.00	28.00
Somewhat Interested	20	40.00	40.00	68.00
Not Interested	12	24.00	24.00	92.00
No opinion	4	8.00	8.00	100.00
<b>Total</b>	<b>50</b>	<b>100.00</b>	<b>100.00</b>	

**Question 13b: MDT streamlined proposal process**

Valid	Frequency	Percent	Valid Percent	Cumulative Percent
No Response	2	4.00	4.00	4.00
Extremely Interested	5	10.00	10.00	14.00
Interested	19	38.00	38.00	52.00
Somewhat Interested	16	32.00	32.00	84.00
Not Interested	5	10.00	10.00	94.00
No opinion	3	6.00	6.00	100.00
<b>Total</b>	<b>50</b>	<b>100.00</b>	<b>100.00</b>	

**Question 13c: MDT/DBE sponsored subcontractor network**

Valid	Frequency	Percent	Valid Percent	Cumulative Percent
No Response	3	6.00	6.00	6.00
Extremely Interested	3	6.00	6.00	12.00
Interested	17	34.00	34.00	46.00
Somewhat Interested	17	34.00	34.00	80.00
Not Interested	7	14.00	14.00	94.00
No opinion	3	6.00	6.00	100.00
<b>Total</b>	<b>50</b>	<b>100.00</b>	<b>100.00</b>	

**Question 13d: Participation in a 5-year project planning round table**

Valid	Frequency	Percent	Valid Percent	Cumulative Percent
No Response	3	6.00	6.00	6.00
Extremely Interested	2	4.00	4.00	10.00
Interested	16	32.00	32.00	42.00
Somewhat Interested	17	34.00	34.00	76.00
Not Interested	10	20.00	20.00	96.00
No Opinion	2	4.00	4.00	100.00
<b>Total</b>	<b>50</b>	<b>100.00</b>	<b>100.00</b>	

**Question 13e: MDT contractor prequalification network**

Valid	Frequency	Percent	Valid Percent	Cumulative Percent
No Response	3	6.00	6.00	6.00
Extremely Interested	3	6.00	6.00	12.00
Interested	10	20.00	20.00	32.00
Somewhat Interested	14	28.00	28.00	60.00
Not Interested	17	34.00	34.00	94.00
No Opinion	3	6.00	6.00	100.00
<b>Total</b>	<b>50</b>	<b>100.00</b>	<b>100.00</b>	

<b>Question 14c: DBE Support Services</b>				
<b>Valid</b>	<b>Frequency</b>	<b>Percent</b>	<b>Valid Percent</b>	<b>Cumulative Percent</b>
No Response	10	20.00	20.00	20.00
Exceeded	2	4.00	4.00	24.00
Above	6	12.00	12.00	36.00
Met	24	48.00	48.00	84.00
Below	5	10.00	10.00	94.00
Did Not Meet	3	6.00	6.00	100.00
<b>Total</b>	<b>50</b>	<b>100.00</b>	<b>100.00</b>	

<b>Question 14d: DBE Informational Services</b>				
<b>Valid</b>	<b>Frequency</b>	<b>Percent</b>	<b>Valid Percent</b>	<b>Cumulative Percent</b>
No Response	10	20.00	20.00	20.00
Exceeded	1	2.00	2.00	22.00
Above	8	16.00	16.00	38.00
Met	25	50.00	50.00	88.00
Below	5	10.00	10.00	98.00
Did Not Meet	1	2.00	2.00	100.00
<b>Total</b>	<b>50</b>	<b>100.00</b>	<b>100.00</b>	

<b>Question 14e: MDT Internet-based informational services</b>				
<b>Valid</b>	<b>Frequency</b>	<b>Percent</b>	<b>Valid Percent</b>	<b>Cumulative Percent</b>
No Response	9	18.00	18.00	18.00
Exceeded	4	8.00	8.00	26.00
Above	10	20.00	20.00	46.00
Met	21	42.00	42.00	88.00
Below	5	10.00	10.00	98.00
Did Not Meet	1	2.00	2.00	100.00
<b>Total</b>	<b>50</b>	<b>100.00</b>	<b>100.00</b>	

<b>Question 14f: Post-award support services</b>				
<b>Valid</b>	<b>Frequency</b>	<b>Percent</b>	<b>Valid Percent</b>	<b>Cumulative Percent</b>
No Response	11	22.00	22.00	22.00
Exceeded	2	4.00	4.00	26.00
Met	6	12.00	12.00	38.00
Below	28	56.00	56.00	94.00
Did Not Meet	3	6.00	6.00	100.00
<b>Total</b>	<b>50</b>	<b>100.00</b>	<b>100.00</b>	

<b>Question 14g: MDT payment services</b>				
<b>Valid</b>	<b>Frequency</b>	<b>Percent</b>	<b>Valid Percent</b>	<b>Cumulative Percent</b>
No Response	9	18.00	18.00	18.00
Exceeded	2	4.00	4.00	22.00
Above	9	18.00	18.00	40.00
Met	28	56.00	56.00	96.00
Did Not Meet	2	4.00	4.00	100.00
<b>Total</b>	<b>50</b>	<b>100.00</b>	<b>100.00</b>	



<b>Question 14h: MST/DBE Contractor application services</b>				
<b>Valid</b>	<b>Frequency</b>	<b>Percent</b>	<b>Valid Percent</b>	<b>Cumulative Percent</b>
No Response	13	26.00	26.00	26.00
Exceeded	2	4.00	4.00	28.00
Above	4	8.00	8.00	36.00
Met	27	54.00	54.00	90.00
Did Not Meet	4	8.00	8.00	100.00
<b>Total</b>	<b>50</b>	<b>100.00</b>	<b>100.00</b>	

TABLE 7: SUMMARY OF WRITTEN COMMENTS

<b>Question 15. What is the most important change that MDT could make to improve contractor participation in State of Montana highway construction projects?</b>
--

Get utilities moved before bidding. Get state water quality permits before job.

More projects and better engineering. For the past 15 years we haven't been keeping up with road improvements. Why doesn't new asphalt last 10 years?

Specific contract dates on projects instead of days—i.e. project start date April 15, complete by October 15—feds use this method. Then a very few number of contractors could not load up on work and stretch projects over 2-3 years.

Reduction of paperwork.

Less stringent audit requirements for consulting services. FAR requirements were self imposed by MDT, approved by FHWA, and are BS.

Better advertisement of bids/more time to bid.

Get some project engineers that know something, fair dealings, treat contractor and sub-contractors fairly, and have some common sense.

Make bidding easy.

Needs to be more than 5% profit margin in work. No room for weather or mistakes.

Do away from low bids on projects and award mid-bid to keep up quality of work, jobs, and make a profit. Reactivate the on-line plan holder's lists.

Being an electrical contractor, I am not interested in every highway project. But I would be interested in those containing electrical. But someone would need to inform me of these projects.

Commitment starts at the top. It was obvious from my perspective the Montana DBE program was not concerned with work with DBE's. So, unless things have changed at the top, I'd make a change at the top.

Make all plans available on website ASAP and easy to find, print, or download.

Encourage General Contractors to use small business sub-contractors.

Montana owned contractors should have at least a 3% preference.

Get rid of the special fuel permit for small business that only had one piece of diesel equipment and purchased the diesel at pumps. With the 2007 Permit I am required to get a DOT number which I really don't need...??

We are not a contractor. As far as consultant projects, MDT does a very good job in getting participation. Maybe, increase the number of consultant projects.

Easier internet access to upcoming projects.

Small consultants are typically subcontractors. The most important method to get work is getting to know primes. We have a general services contracts directly with ODDT and ITD, but have never had a chance with MDT. So, the capability briefing to MDT project managers and small specialty contracts might help.

**Question 16. What is the most important change you feel should be made to improve the quality of service provided by MDT?**

Help in getting utilities and permitting process taken care of before they hold up a job.

MDT should develop a new asphalt mix that will last or go back to the mix that was used in the 60s and 70s that would last 30 years.

Statewide concurrence on project specs.

More timely responses. Some bureau chiefs are marginally qualified (technically) and need management training.

MDOT should privatize all work for quality, saving money, and providing more work to Montana Contractors.

Make R/W plans available on-line.

Better advertisement.

After making changes at the top, the staff could take some lessons from Minnesota's and North Dakota's DBE programs.

Make old plans/as-builts and take [sic] deeds available on-line to the publics.

Get ride of the DBE office. Contractors should be awarded jobs based on experience, not on DBE status.

MDT service is excellent. Better advertising to consultants on MDT training sessions/seminars that are open to the public/consultant sector.

Provide access to bidder information in regards to prime and sub-contractor plan holders list. Without this information

a potential contractor will not know who to give or receive quotes.

Easier internet access to upcoming projects.

We have issues with slow payment on MDT projects, but that would be due to prime firms.

MDT should publish plan holders lists. Since plans have been made available on the internet, DOT should have an area on the internet and require contractors who download plans to sign in and then they would be able to develop a plan holders list.

**Question 17. What is the most important change you feel should be made to improve the quality of service provided by the DBE office?**

Making sure DBE's that are certified are truly DBE's. Assisting in prompt payment to sub's. Not letting prime contractors hold sub's money.

Continue efforts to simplify the DBE annual updates for certification and reduce paper!

We would like to know if we qualify. Advertise.

After making changes at the top, the staff could take some lessons from Minnesota's and North Dakota's DBE programs.

Legitimate qualification of DBE.

We are not DBE, so really cannot provide feedback. Should mention, however, I am very aware of the MDT DBE office. Few years ago attended a DBE FAR Training class that was excellent.

I had a bad experience quite a long time ago—it may not be an issue anymore. Maybe just an intention to help.

Since prime contractors need to document good faith efforts regarding DBE participation, DBE office should require DBE's contacted to reply their intentions to quote a project or not.

**Question 18. What is the important change you feel should be made to improve the quality of the information packages provided by MDT to potential contractors?**

Bring back plan holders list. Bring back Engineers Estimate. Have actual project manager on bid package.

Specific job descriptions of scope of work to be performed in upcoming project lists.

Names of consultants. Ph. number's of consultants.

Be more specific on what types of work it is.

We have never received one.

Who cares about the quality of packages when the package had no substance?

Easier internet access. Reduce paperwork. Simplify requirements and specifications. Percentage \$ amount preference to Montana businesses (add \$ to out of state businesses).

**Additional Comments**

We are a quality WOB. Never proceeded with certification as the woman in charge for the state of Montana was not very interested. We were not Indian or Black owned!

I should not comment my experience with the DBE office is dated (5+ years), hopefully things have changed; this questionnaire is a positive sign.

Increase DBE goals.

I haven't worked with MDT enough to answer 15-18 in a meaningful way. In a nutshell what we need is a level playing field (specs adhered to, deadlines enforced) and prompt payment.

**Statistical Analysis**

**Table 8: The Ability of Length in Business to Predict Whether One Will Do Business with MDT**

**ANOVA**

Model		Sum of squares	df	Mean Square	F	Sig.
1	Regression	12.124	2	6.062	3.009	.059
	Residual	94.696	47	2.015		
	Total	106.820	49			

a. Predictors: (Constant), BUSWMDT, BUSLENGT

b. Dependent Variable: LENGTHBU

**Coefficients**

Model		Un- standardized Coefficients	Std. Error	Standardized Coefficients	t	Sig.
		B		Beta		
1	(Constant)	2.758	.569		4.846	.000
	BUSLENGT	.126	.154	.113	.820	.417
	BUSWMDT	-.850	.356	-.330	-2.387	.021

Dependent Variable: LENGTHBU

**Analysis**

The data suggests that the longer a business operates the greater the chance the business will successfully secure MDT projects. This implies that MDT relies heavily on past

performance when awarding projects and that it takes time for a business to mature sufficiently to successfully manage MDT projects. This creates a more stable provider base for MDT and lowers performance risks.

TABLE 9: Analysis of the relationship between satisfaction and number of years in business (based on survey questions 12c-12f).

Correlation: Time in Business and Satisfaction Levels

		BUSLENGT	SAT003
BUSLENGT	Pearson Correlation	1.000	-.316
	Sig. (2-tailed)	.	.025
	N	50	50
12c: SAT003	Pearson Correlation	-.316	1.000
	Sig. (2-tailed)	.025	.
	N	50	50

\* Correlation is significant at the 0.05 level (2-tailed).

		BUSLENGT	SAT004
BUSLENGT	Pearson Correlation	1.000	-.341
	Sig. (2-tailed)	.	.015
	N	50	50
12d: SAT004	Pearson Correlation	-.341	1.000
	Sig. (2-tailed)	.015	.
	N	50	50

\* Correlation is significant at the 0.05 level (2-tailed).

		BUSLENGT	SAT005
BUSLENGT	Pearson Correlation	1.000	-.359
	Sig. (2-tailed)	.	.010
	N	50	50
12e: SAT005	Pearson Correlation	-.359	1.000
	Sig. (2-tailed)	.010	.
	N	50	50

\* Correlation is significant at the 0.05 level (2-tailed).

		BUSLENGT	SAT006
BUSLENGT	Pearson Correlation	1.000	-.343
	Sig. (2-tailed)	.	.015
	N	50	50
12f: SAT006	Pearson Correlation	-.343	1.000
	Sig. (2-tailed)	.015	.
	N	50	50

\* Correlation is significant at the 0.05 level (2-tailed).

		<b>BUSLENGT</b>	<b>SAT007</b>
<b>BUSLENGT</b>	<b>Pearson Correlation</b>	1.000	-.423
	<b>Sig. (2-tailed)</b>	.	.002
	<b>N</b>	50	50
<b>SAT007</b>	<b>Pearson Correlation</b>	-.423	1.000
	<b>Sig. (2-tailed)</b>	.002	.
	<b>N</b>	50	50

\* Correlation is significant at the 0.01 level (2-tailed).

## Analysis

The correlation between satisfaction and number of years in business suggests that the longer a business operates the less satisfied they are with information they receive from MDT. It would be inappropriate to suggest that one predicts the other; however, there is evidence that experience tends to create greater levels of dissatisfaction. The written comments suggest that this dissatisfaction may be associated with the complexities of the government proposal processes. It also suggests that as a contractor becomes more familiar with MDT informational services, the more unhappy they are with what they find. Responses suggest it is access to the information rather than the information itself that creates the most dissatisfaction.

## APPENDIX 3

### Business Opportunities

Appendix 3 contains Table 10 (below) and Table 11 (p. A3-3), which address Task 3.1.2, General Business Opportunities.

### General Business Opportunities (Task 3.1.2)

Table 10: Service Opportunity

Business Category (Market Viability)	Type of Opportunity	Challenges
Architectural and Engineering (Good)	Facilities Design Landscape Architecture Services	Specialized training Company qualifications with State Limited Bonding
Business Services (Fair)	See IT Services, consulting services, research, and office supplying	
Information Technology Services (Excellent)	Network Support Services Security Services Security Certification Services Application Installation, Upgrade, and Maintenance Services Website Development Services Cabling and Fiber Optics Services Wireless and Microwave Transmission Services	Very competitive In some cases, requires security clearances for the individual and/or the facility State generally uses its state contract vehicle, which means that vendors are generally pre-qualified and placed on a preferred bidders list. Terms run between 3 to 5 years. The next cycle of pre-qualification should begin in 2008.
Engineering Services (Good)	Civil --- road construction, bridge construction and maintenance, and water management Mechanical --- facilities, HVAC, and some structural Electrical – facilities and power distribution Computer design services	Specialized knowledge Professional certification required on many design projects Bonding Maintaining currency (time and cost) Local competition is reasonable, however, regional and national competition is somewhat intense.
Education and Training Services (Good)	Safety Acquisition Training Information Technology Security Specialized trade training, i.e., equipment operation, vehicle maintenance, hazard materials handling, etc.	Limited activity Generally, requirements specify specialized industry certification for the trainers, i.e., OSHA, ATE, and EPA.

Business Category (Market Viability)	Type of Opportunity	Challenges
Environmental Services (Good)	Hazardous Material Handling Environmental Impact Services Asbestos Abatement Analyses Land Usage Studies	This is a very specialized field and contractors have to have EPA, OSHA, and other certifications in order to participate Bonding requirements are very specific Performance liability is higher than traditional construction services.
Motor Vehicle Support Services (Fair)	Light vehicle maintenance services Heavy equipment maintenance services Fabrication, machine shop parts repair, and some welding opportunities	Vehicle maintenance for government operations vary significantly. Some agencies rely on GSA schedules and other blank purchase agreements. Some issue individual support contracts, but tend to bundle requirements to include supply and logistics information systems with the requirements. Private contractor support also varies with many contractors relying OEMs for maintenance services.
Construction Services (Good)	Earth moving operations Road construction Facilities construction Bridge construction Water distribution and waste management construction Roadside facilities construction	Bonding for requirements in excess of \$100K. Sizeable capital equipment investment. Competition is very active. Limited construction period. Fuel costs.
Precision Instrument Services (Fair)	Testing equipment Vehicle maintenance equipment Office computer systems Medical equipment	Specialized knowledge. Industry certifications for specific equipment. Some capital equipment investment.
Painting Services (Good)	Facilities painting Specialized road painting--striping, barrier painting, and bridge painting.	Bonding for requirements over \$100K. Some competition.
Grounds Maintenance Services (to include landscaping) (Fair)	Facilities landscaping. Office interior plant maintenance. Community landscaping. Large facilities grounds maintenance. Snow removal.	May be bonding requirements. Workforce availability. Seasonal (may be combined with snow removal to mitigate seasonal demand).



Business Category (Market Viability)	Type of Opportunity	Challenges
Research and Development Services (Fair)	Environmental impact studies Land use studies Community planning	Specialized knowledge Generally requires advanced education and/or industry expertise.

Table 11: Commodities Supply Services

Business Category	Type of Opportunity	Challenges
Commercial Equipment (Fair)	Construction equipment Vehicles	Heavy capital investment Erratic market For the most part, government equipment purchasing is centralized
Information Technology Equipment (Good)	Microwave transmission equipment Network support equipment Desktop and laptop equipment	Innovation and rapid new product development tends to accelerate inventory obsolescence
General Office Supplies (Good)	Paper, toner, filing materials, labeling, etc. ... Office furniture	Centralized purchasing with long term contracts Established supplier market High brand loyalty
Janitorial Supplies (Good)	Cleaning supplies Cleaning equipment	Centralized purchasing with long term contracts Established supplier market High brand loyalty
Specialized Equipment (Fair)	Heavy equipment Specialized road equipment	Heavy capital investment Erratic market For the most part, government equipment purchasing is centralized – GSA
Vehicle Sales (Fair)	Cars and light duty trucks Law enforcement sales	Heavy capital investment Erratic market For the most part, Government equipment purchasing is centralized - GSA

## **APPENDIX 4**

### **Suggested Marketing Strategies**

#### **Introduction**

The ability for a government agency to deliver the best value to its stakeholders is a two fold activity. First, the organization must develop the organizational processes that will result in the most efficient use of scarce resources (an internal process). It also requires developing an outreach program that encourages the greatest contractor and vendor participation (external outreach). As primarily a converter of resources, the government relies on the support of its contractors and vendors to transform the goods and services they provide into services and products that the community consumes. This project was commissioned to see what can be done to improve MDT's ability to involve as many contractors, vendors, and suppliers in government supplying market. If successful, the information provided by the study will improve MDT's and the State of Montana's service to its community.

While introducing some unique challenges, developing improvements to the outreach program and the State's acquisition system is an exercise in marketing. At its most fundamental level, marketing is nothing more than educating the affected market in the opportunities and processes required to participate. Below, New West Strategies (NWS) has provided the building blocks of a marketing strategy that accomplishes two important goals: 1) It provides a "process" for improving outreach and 2) it provides important educational materials to assist MDT to help the supplying market overcome some of the challenges of participating in the government market. When combined with the other "tools" provided by this project, these marketing suggestions can be used to effectively improve MDT's ability to attract and maintain suppliers, vendors, and contractors.

#### **Basic of an Effective Marketing Program "The Model"**

In Figure 3 below (p. A4-2), NWS hopes to illustrate the fundamental steps that can lead to a more effective marketing program. Following the model, there is a brief discussion of seven marketing strategies that have been used by other businesses to effectively improve their B2B (Business to Business) business activity. Finally, NWS has provided suggestions on how to write an effective marketing plan. In order to make our suggestions more useful, NWS has tailored them specifically to MDT needs. These are merely suggested approaches based on best practices. The final solution will require the participation of the MDT teams (which is beyond the scope of this analysis).

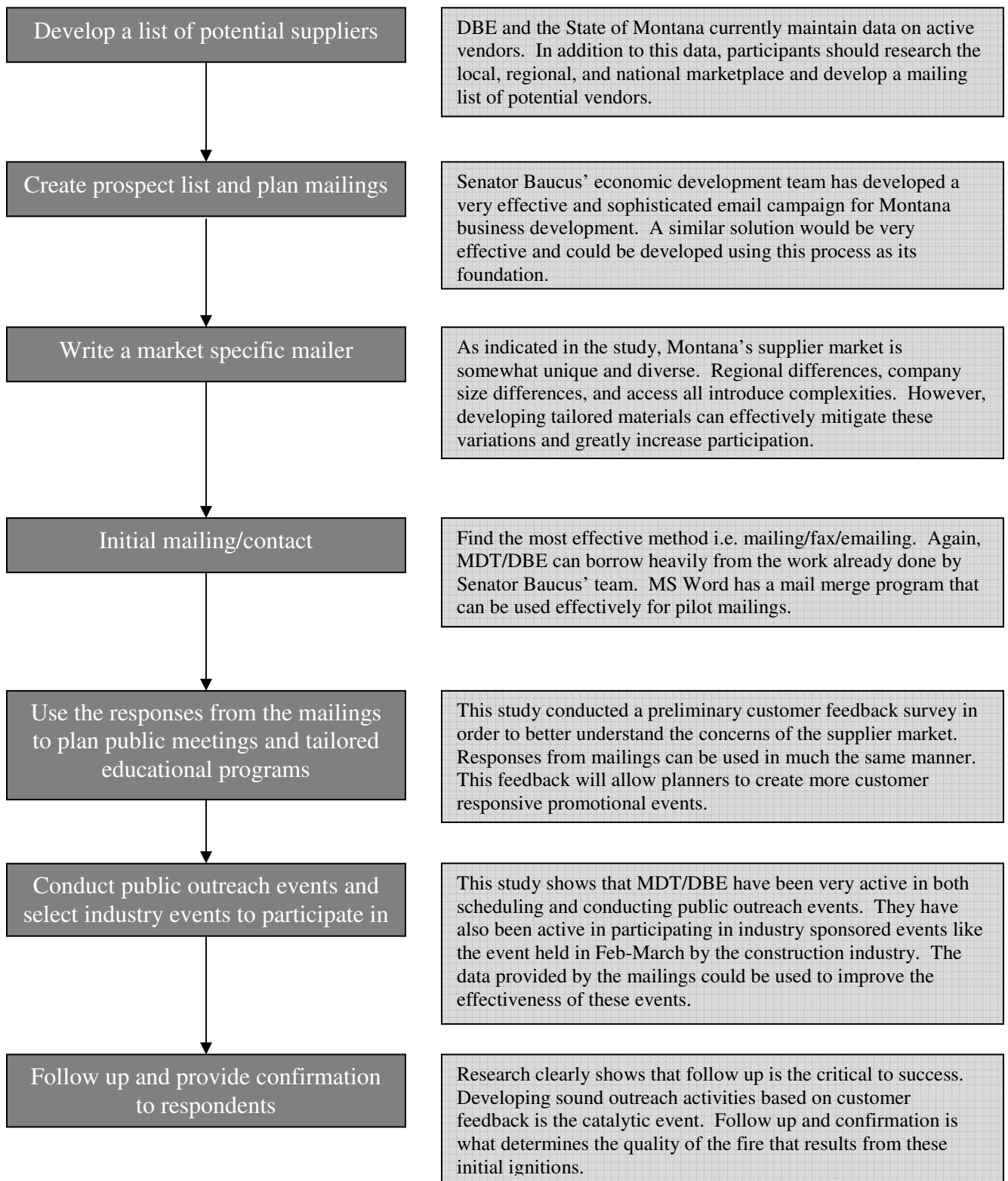


Figure 3. Outreach Development Model for MDT

## Developing the Marketing Strategies

Models are useful for understanding what needs to be done; unfortunately, they can have limited operational utility. Improving outreach is an operational activity that requires specific direction, i.e., planning. Planning begins by developing a strategy with goals and fundamental milestones. Commercial, for-profit organizations are constantly developing marketing plans. As such, they have much to offer a government agency that tends to be relatively new to marketing.

Below is a list of progressive strategies which has been modeled after effective commercial marketing strategies. Based on the premise that government outreach shares much in common with traditional brand marketing, these strategies should produce much the same success that has been enjoyed by commercial for-profit organizations.

**Strategy 1** - Gain customer confidence by clearly communicating the advantages and reasons for them to do business with MDT and the State of Montana. Government agencies compete with commercial customers for suppliers. Many potential suppliers have concluded that government supplying is too complex, cumbersome, and restrictive. The first step to improving participation is to address these concerns and gain the supplier's confidence in the government acquisition system.

**Strategy 2** - Expand the number of ways the public hears about MDT's activities and the opportunities for participation. Effective marketing is in part the result of exposure, i.e., branding. The more the public sees your name, activities, and opportunities, the greater the likelihood they will develop interest in your activity. Using news releases, public releases, news coverage, etc. ... are all opportunities to get your message out without having to spend limited marketing resources.

**Strategy 3** - Internal marketing to build greater organizational identification and greater organizational enthusiasm for MDT activities. The researchers were very impressed by the organizational enthusiasm for the mission of MDT. This enthusiasm is infectious and the more it is promoted the more organizational spokesmen you will have to get your message out. The survey results provide strong evidence that many repeat suppliers learned about opportunities while working on current requirements. This suggests that program managers, supervisors, and co-workers felt comfortable enough with the organization to subtly promote it. Strong organizational affiliation is an often overlooked and very effective marketing tool; one that MDT could effectively leverage to increase activity.

**Strategy 4** - Instill supplier confidence by making it easier for potential suppliers to find out information about requirements and the process of participation. For MDT this means improving the organizational internet portal, i.e., website. Below we provide some guidance on improving website effectiveness. With the internet becoming the most active organizational entry point, it is very important that those interested in participation find it easy to navigate and friendly to use.

**Strategy 5** - Dispel concerns over the complexity of supplying to the government. While government agencies can not provide the product guarantees and assurances available to many commercial enterprises, it can dispel concerns by improving customer education and by improving the requirement processes. Eliminating bundling, i.e., the practice of combining several diverse requirements into a single requirement. Streamlining vendor registration processes, and reducing the complexity of the reporting system will reduce the supplier's activity anxiety.

**Strategy 6** - Set and maintain schedules. One of the biggest obstacles to participation is the "floating" schedule and the practice of extending or compressing proposal schedules. Most businesses need definitive milestones in order to plan and schedule. Extending proposals, stopping and starting proposals, and premature advertising of requirements tend to reduce supplier confidence in the stability of the participation.

**Strategy 7** - Develop and implement a marketing plan to compliment your acquisition and project schedules. First, set specific outreach goals. There is nothing that will reduce the effectiveness of an outreach plan more than unclear objectives. You have to know where you want to go and why you want to go there before you can develop the means to achieve those goals. Next, identify your strengths, opportunities, advantages, and aids to participation. At the same time, identify those challenges that may impact cost and schedule. Finally, use this information to develop a marketing plan that will best lead you to your outreach objectives.

In order for a marketing solution to be effective, it must be clear, measurable, and have a stated time for achievement. MDT is not the first government agency to commit to improving outreach activity. For nearly 20 years, governments at all levels have been looking for ways to reduce the cost of service provision. Many have concluded that increasing supplier participation and leveraging market competition can significantly reduce operational costs. Therefore, many agencies have invested considerable resources to increasing private supplier activity. Among the lessons learned by these agencies that have resulted in participation improvements are:

- Set aside programs
- Breaking up large requirements
- Offering advanced payment programs
- Connecting DBEs with prime contractors

The Montana Department of Transportation (MDT) has been a leader among Montana's state agencies in promoting small and emerging businesses. Much of what has to be done is being done; however, research suggests that with minimal investment and increased planning, MDT can be even more effective in their outreach activities. Two improvements that would provide the most immediate impact are better marketing planning and improvements to the organizational website.

The strategies above have been provided to help MDT in its “goal setting” activities. The marketing plan outline below is provided to help MDT organize and write its plan based on the goal setting activity.

## Developing the Marketing Plan

### Overview

#### **The Purpose of the Plan:**

- Helps MDT to look internally in order to fully understand the relationship between outreach and organizational effectiveness.
- Helps MDT to look externally in order to develop a solution that addresses the external communities concerns.
- Sets specific performance goals that will provide direction for future outreach efforts (which also facilitates organizational support for this critical activity).
- Helps in obtaining funding to pursue new outreach activities.

#### **The Plan’s Outline**

Part 1 - Statement of purpose and mission

Part 2 - Environmental analysis

- Requirements analysis
- Identifying the target audience
- Competitive demand analysis
- Program resource analysis

Part 3 - Developing Specific Marketing Strategy and Objective (bounded by a specific period of time).

- Program cost objectives
- Outreach objectives

Part 4 - Tactical Plan

- Pre-outreach activities
- Outreach activities
- Post-outreach analysis
- Improvements planning

Part 5 - Operational oversight of the Program

- Assigning program responsibility
- Program oversight (Implementation)

- Budgeting
- Materials development
- Materials distribution
- Event participation
- Program reporting

## **Outreach Plan Template**

### **Part 1: Purpose of the Outreach Program:**

The Montana Department of Transportation, with the cooperation of the Office of Disadvantaged Business Enterprises, believes that building public support for the mission of MDT and increasing the number and diversity of the businesses supplying critical goods and services to MDT will greatly improve the quality of our services. Therefore, we have developed an outreach plan that will:

- Improve internal and external community awareness of MDT activities and opportunities.
- Improve internal and external education on the process of participation.
- Increase the number and diversity of the vendor participation in MDT programs.
- Improve the organizational performance of MDT as indicated by reduced administrative costs for acquisition support, greater adherence to established cost, scheduled goals, and improved quality of the service provided by MDT to the community.

### **MDT's Mission Statement:**

*“MDT's mission is to serve the public by providing a transportation system and services that emphasize quality, safety, cost effectiveness, economic vitality, and sensitivity to the environment.”*

### **Outreach Program Mission Statement:**

*“The mission of MDT's outreach program is to provide MDT, the State of Montana, and the community they serve with an outreach program that emphasizes education, encourages vendor participation in MDT activities, and promotes public confidence in MDT and its services.”*

### **Part 2: Environmental Analysis**

(See Study Final Analysis)

- PEST Analysis
  - Political analysis

- Transportation issues
    - Funding priorities
    - International, national, state, and local climates
  - Economic analysis
    - International, national, state, and local
    - Industry analysis of affected industries, i.e., transportation, construction, environmental services
  - Sociological analysis
    - Public support
    - Public priorities
  - Technological analysis
    - Product innovations
    - Technology and transportation
    - Project management technologies
- SWOT Analysis
  - Organizational strengths (including state organization)
  - Organizational limitations and challenges
  - Project opportunities
  - Threats to MDT's ability to deliver services

### Part 3: Marketing Strategy

Those reading this plan must provide a clear and concise picture of the direction the outreach program plans to take. Above we discussed seven specific strategies that should be simultaneously pursued to advance the outreach program. These strategies can be used to complete this section; however, the planning team should include specific performance targets (metrics) so that progress and performance can be measured. One example of such a metric would be to increase vendor participation by 10% in the next year as measured by the number of vendors registered in MDT's active vendor registration database. Another might be to increase the diversity of participation as measured by the distribution of business classifications participating in MDT sponsored projects. The planning committee might also wish to increase the participation of Montana registered companies and use that as a key performance metric. Whatever decisions are made by the planning committee, the marketing strategy should be specific and include measurable performance metrics.

### Part 4: Tactical Marketing Program

In this section, the planning committee should include details and timetables for the various key decision areas:

- Educational outreach
- MDT participation in public and industry related events
- Website development and maintenance
- Acquisition improvements that make it easier for vendors to participate.



- Maintenance of the outreach program to include mailings, follow-up, and program operations.

#### Part 5: Operational Oversight of the Outreach Program

- The Outreach Program Budget

This section should lay out spending requirements necessary for meeting the plan's objectives. Since there are so many types of outreach activities, NWS recommends that you break up the objectives and spread them out over several years. This study suggests that education and branding are the most important initial activities; therefore, we would recommend concentrating on these activities for the first year of operation. Website development may be shared with MDT's IT department and the State Department of Administration, which would help defray the cost of this activity.

Your budget should be specific, i.e., identify specific costs for materials development, printing, distribution, and administration (to include analysis). Further, the budget should reflect the diversity of funding sources and the unique funding cycles associated with these sources. The federal funding cycle runs from October 1 to September 30. The states funding cycle runs from July 1 to June 30th and some grant programs are funded along calendar years. The budget should account for these variations.

- Performance Analysis

This section should contain performance implications of the plan in terms of the performance metrics established above. This section should specify when measurements will be taken; how the results will be analyzed, and how these data collected will be used to make program improvements.

## **APPENDIX 5:**

### **Contractor's Checklist for Doing Business With Government Agencies**

#### **Introduction**

The decision to enter into the government marketplace can be a difficult one. On one hand, businesses find contracting with the government gives them greater security and long-range stability. On the other hand, the barriers to entry and sustainment can seem formidable. Unlike the commercial marketplace, the government markets are complex and require participants to have strong business processes and solid management practices. Since government agencies depend on public funding to accomplish their missions, their activities are closely monitored. The need for transparency, accountability, and adherence to established policies demand greater management involvement in monitoring performance, which can increase the cost of goods sold. In addition, the government's legislated socio-economic programs often determine who and when businesses can participate in government opportunities. Those willing to accept these challenges and make the administrative investment needed to satisfying them can do very well, but there are risks and the learning curve to understand the idiosyncratic demands of the government marketplace is steep.

The good news is that all barriers can be managed with a combination of education, administrative investment, and dedication of a quality management team. Below we provide some information that contractors can use to make participation both easier and more profitable. We also include a list of internet sites we have found particularly useful in managing government contracts. We have organized this information by stages: beginning with business formation, progressing to contract administration, and ending with specialized contracting circumstances. Where appropriate we have developed checklists that can be used to assist potential suppliers that believe participation in government contracts is appropriate for their circumstances.

#### **Getting Started**

Fundamentally, successful participation in government supplying activities is no different than any other type of business activity. If there is a difference, it is in the attention to detail and the quality of administration. Government contracting requires a business to clearly demonstrate its ability to perform, which means establishing clear evidence of strong management, financial security, good quality management practices, and a solid risk management solution. We recommend using the checklist in Table 12 (p. A5-1) as a first stage in assessing your pre-participation status.

Table 12: Contractor’s Pre-Participation Checklist

Business Activity	Description of Activity	Status*	
		In Process	Completed
Establishing Business	Business Type: Sole proprietorship, LLC, Corporations, etc.		
	Completion of organizational documents		
	Establish Business Bank Accounts		
	Purchase Necessary Insurances (See also Insurance below)		
Business Registration	State Business Registration		
	Local Business Registration (Licensure)		
	Central Contractor Registration (CCR)		
	State Contractor’s Registration		
	Government Agency Vendor Lists		
	Specialized small business registration, i.e., 8(a) program registration, HubZone Registration, Service Disabled Veteran-Owned Business, (Go to <a href="http://www.sba.gov">www.sba.gov</a> for assistance with registrations), and Montana DBE Registration.		
	Industry registrations		
Business Financing	Investor financing		
	Conventional business financing through a commercial bank		
	SBA loan guarantee		
	Small business grant applications		
	Other financing		
Business Documentation	Organizational History		
	Business Plan		
	Strategic Plan (Can be included in Business plan)		
	Management team		
	Financing		
	Quality control program		
	Surge capability		
	Risk mitigation processes		
	Past performance		
	Contact past customers		
Document past performance			
Marketing	Marketing materials developed		
	Capabilities briefing		
	Market Selection		
	Distribution of marketing materials		
Human Resources	Staffing plan		
	Recruiting and hiring policies and procedures		
	Employee handbook		
Insurance	General business liability insurance		
	Workman’s compensation insurance		
	Employee insurances (benefits package)		
	Vehicle insurances		
	Bonding (See section on bonding, p. A5-9)		
Facilities	Office/shop space		
	Equipment Acquisition		
	Office Supplies		
	Communications		
	Phone lines Computer/Internet		

\*Mark N/A for any items that do not apply to your specific circumstances.

Once the basic business activities have been completed, you are ready to seek out specific government opportunities. By law, government requirements must be readily available to the public. In the 1970s, the federal government began centralizing its advertising practices. Today, all federal requirements over \$250,000 (total value) are published on the federal business opportunities website (FedBiz Ops: <http://www.fedbizopps.gov/>). Most state governments have adopted a similar practice and their “larger” requirements [the dollar thresholds range from \$25,000 to \$100,000] can be accessed through their official state websites. Smaller government units (county and city) requirements are most often printed in local publications; however, more and more county and city agencies are advertising their requirements on their official websites. Finding out about smaller projects (those below mandated advertising levels) can be more difficult to uncover. Generally, to find out about smaller requirements one must establish a relationship with the agency, e.g., registering your business on the agency’s vendor’s lists, visiting the local contracting activity, or checking local agency bulletin boards.

There are also several companies that, for a fee, will monitor requirements and notify you when a requirement that matches your business becomes known. Some of these notification services will also monitor the agency requirements development and will provide clients with “over-the-horizon” information on emerging government requirements.

Table 13 (below) provides a basic source list for finding out about government requirements.

Table 13: Sources for finding out about government opportunities

Agency	Types of Requirements	Referential Source
Federal	Large requirements with total contract value over \$250,000	<a href="http://www.fedbizopps.gov">http://www.fedbizopps.gov</a> <a href="http://www.fbodaily.com/">http://www.fbodaily.com/</a> <a href="http://www.business.gov/topic/Government_Contracting">http://www.business.gov/topic/Government_Contracting</a>
	Centralized service and goods schedules (General Services Administration)	<a href="http://www.gsa.gov/Portal/gsa/ep/home.do?tabId=0">http://www.gsa.gov/Portal/gsa/ep/home.do?tabId=0</a>
	Small business opportunities	<a href="http://www.sba.gov/services/contractingopportunities/index.html">http://www.sba.gov/services/contractingopportunities/index.html</a>
	Commerce Business Daily	<a href="http://cbdnet.gpo.gov/">http://cbdnet.gpo.gov/</a>
	Franchise & Business Opportunities. G. Government Contracting	<a href="http://www.business.gov/topic">http://www.business.gov/topic</a>
State	Montana: Requirements over \$25,000 in total value	<a href="http://www.mt.gov">http://www.mt.gov</a> <a href="http://gsd.mt.gov/osbs/default.asp">http://gsd.mt.gov/osbs/default.asp</a> <a href="http://mdt.mt.gov/business/contracting/civil/mcadbe.shtml">http://mdt.mt.gov/business/contracting/civil/mcadbe.shtml</a>
	Construction	<a href="http://architecture.mt.gov/DesignConstruction/BidOpenings/Bid_Opening_List.pdf">http://architecture.mt.gov/DesignConstruction/BidOpenings/Bid_Opening_List.pdf</a>
	Highway Construction	<a href="http://www.mdt.mt.gov/business/contracting.shtml">http://www.mdt.mt.gov/business/contracting.shtml</a>
	Design and Construction	<a href="http://fwp.mt.gov/insidefwp/department/divisions/dandc/gallery.html">http://fwp.mt.gov/insidefwp/department/divisions/dandc/gallery.html</a>
	Vendor Registration	<a href="http://vendor.mt.gov/">http://vendor.mt.gov/</a>

Agency	Types of Requirements	Referential Source
Local	Public bids – values vary by location	Check local government websites and local newspapers and advertisers for opportunities
For-Fee Services*	GovCB.com: information on federal, state, and local opportunities	<a href="http://www.govcb.com/">http://www.govcb.com/</a>
	BidNet.com: information on federal, state, and local opportunities	<a href="http://www.bidnet.com/">http://www.bidnet.com/</a>
	BIDMAIN.com: information on federal, state, and local opportunities	<a href="http://www.bidmain.com/">http://www.bidmain.com/</a>
	BidContract.com: information on federal, state, and local opportunities	<a href="http://www.bidcontract.com/default.aspx">http://www.bidcontract.com/default.aspx</a>
	FindRFP.com	<a href="http://www.findrfp.com/Government_Contracting/Contract_Facts.aspx">http://www.findrfp.com/Government_Contracting/Contract_Facts.aspx</a>
	INPUT: IT opportunities	<a href="http://www.input.com/corp/response/rfps.cfm?utm_id=538">http://www.input.com/corp/response/rfps.cfm?utm_id=538</a>
	Selling to the Government: Offers state-by-state lists	<a href="http://www.sellingtogov.com/">http://www.sellingtogov.com/</a>
	Advancing Women: Site dedicated to finding business opportunities for woman-owned businesses	<a href="http://www.advancingwomen.com/wominop.html">http://www.advancingwomen.com/wominop.html</a>

\*For-Fee listings are representative only. Inclusion is not meant to suggest preference or endorsement for these organizations and the sites included haven't been selected to represent an alternate source for finding out about government opportunities. There are many such services. One should be aware that government opportunities over a specific dollar amount must be publicly advertised and the information is available free from government information sources.

Once a requirement has been identified and you have decided to pursue the opportunity you will have to prepare a package in response to that requirement. There are many important things to keep in mind when responding to a government requirement. First, the government is generally very specific in their requests for proposals. It is recommended that you read the requirement thoroughly and make sure that you fully understand what the government is seeking. Second, make sure your response addresses all of the government requirements. NWS recommends developing a list of requirements based on your analysis and then checking off each item as you prepare your proposal. In Table 14 (p. A5-5), NWS has provided you with a generic proposal preparation checklist.

Table 14: Proposal Preparation Checklist

<b>1.</b>	<b>RFP/DOCUMENTS</b>
<input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>	Obtain complete copy of RFP. Distribute RFP to appropriate staff. Review RFP for missing pages/sections. Prepare questions for submission to Contracting Officer. Receive and review responses to questions. Collect, distribute and review pertinent background documents.
<b>2.</b>	<b>PARTNERS</b>
<input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>	Identify partners to participate in bid. Determine type of partnership arrangement. Prepare teaming or other type of appropriate agreements. Receive signed agreements from partners. Determine each partner's level of effort for project. Number and type of long-term staff. Number and type of consultants.
<b>3.</b>	<b>TECHNICAL STRATEGY</b>
<input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>	Hold strategy meetings. Identify the partnership's strengths and weaknesses. Identify competition and their strengths and weakness. Identify ways to differentiate partnership from competition. Develop strategic themes. Develop strategy for each component and overall.
<b>4.</b>	<b>TECHNICAL PROPOSAL</b>
<input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>	Prepare draft outline/revise as needed. Identify & select writers for each section. Determine page numbers for each section. Determine document format (font, major/minor headings, etc.). Provide writers with written formatting guidelines/instructions. Prepare/distribute list of nomenclature, abbreviations, acronyms. Identify and provide writers with relevant sections from past proposals. Prepare schedule/identify due dates for draft sections. Determine review, feedback, and editing processes for written sections. Ensure compatibility of software packages and versions. Ensure compatibility of document transmission via e-mail. Ensure sufficient quantities of appendix materials are available.

<p><b>5.</b></p> <p>_____</p> <p>_____</p> <p>_____</p> <p>_____</p> <p>_____</p> <p>_____</p> <p>_____</p> <p>_____</p> <p>_____</p> <p>_____</p> <p>_____</p>	<p><b>PERSONNEL</b></p> <p>Prepare packet of materials for long-term candidates.</p> <p>Prepare personnel checklists/tracking list for candidate documents.</p> <p>Prepare commitment letter(s) for signature by candidates.</p> <p>Recruit long-term staff and consultants.</p> <p>Collect resumes (Synesis7 format).</p> <p>Sort resumes by category/areas of expertise.</p> <p>Review resumes.</p> <p>Identify best candidates and alternates.</p> <p>Confirm candidates' interest/availability.</p> <p>Obtain additional info from candidates for resumes, if necessary.</p> <p>Obtain signed letters of commitment from candidates.</p> <p>Prepare skills matrices.</p>
<p><b>6.</b></p> <p>_____</p> <p>_____</p> <p>_____</p> <p>_____</p> <p>_____</p>	<p><b>PAST PERFORMANCE REFERENCES</b></p> <p>Use RFP format if required.</p> <p>Update and/or prepare past performance information as needed.</p> <p>Submit references and contact information to contracting personnel</p> <p>Issue a list of submission requirements to all partners.</p> <p>Request verification of submission from partners.</p> <p>Review for accuracy and completeness.</p>
<p><b>7.</b></p> <p>_____</p> <p>_____</p> <p>_____</p> <p>_____</p> <p>_____</p> <p>_____</p> <p>_____</p>	<p><b>PACKAGING</b></p> <p>Select cover design (map, picture, graphic, etc.).</p> <p>Identify info for cover (RFP #, date, submitted to/by, etc.).</p> <p>Prepare cover.</p> <p>Determine how proposal will be packaged.</p> <p>Purchase binder rings and covers, if needed.</p> <p>Purchase notebooks if needed.</p> <p>Purchase dividers/tabs if needed.</p> <p>Ensure sufficient quantities of all packaging items are available.</p>
<p><b>8.</b></p> <p>_____</p> <p>_____</p> <p>_____</p> <p>_____</p> <p>_____</p>	<p><b>FINISHING TOUCHES</b></p> <p>Spell check all sections.</p> <p>Gather appendix materials.</p> <p>Prepare Table of Contents.</p> <p>Prepare Transmittal Letter.</p> <p>Prepare Inside Cover Sheet for Technical Proposal.</p> <p>Prepare Section Tabs/Dividers for Technical Proposal.</p>

<b>9.</b>	<b>PRODUCTION</b>
_____	Determine where and by whom proposal will be reproduced.
_____	Insert special pages, charts, etc., if required.
_____	Insert appendix materials.
_____	Check pages in each copy for legibility.
_____	Check each copy to ensure no pages are missing.
<b>10.</b>	<b>PROPOSAL DELIVERY/LOGISTICS</b>
_____	Preparations for Delivery.
_____	Obtain packaging materials (boxes, wrapping paper, tape).
_____	Purchase box handle (if needed for hand carrying).
_____	Prepare label for technical proposal.
_____	Prepare outside address label.
_____	Mark "original" on 1 copy technical proposal.
_____	Prepare receipt (for hand carrying).
_____	Mailing.
_____	Check courier service schedules (# days required for delivery).
_____	Wrap technical proposal and affix "technical proposal" label.
_____	Affix outside address label.
_____	Hand Carrying.
_____	Identify person to carry proposal.
_____	Make airline and hotel reservations.
_____	Wrap technical proposal and affix "technical proposal" label.
_____	Affix outside address label.
_____	Affix handle, if required.
_____	Provide receipt to person who will hand-carry proposal.



## Contract Administration

Once successful in securing a government contract you must insure that the excellence of your performance is well managed. Contract administration is a key to determining your current and future success. As with the proposal process, government contract administration tends to be very specific and failure to maintain performance management can have serious implications for you and your business. Small purchases administration does not generally require anything more than delivery and invoicing. However, large dollar acquisitions can have very detailed reporting and accounting requirements. In these cases, contract administration, i.e., project management, invoicing, inspection, product/service certifications, and contract closeouts can be very challenging. The government will provide a great deal of guidance, but at the end of the day the responsibility for documentation, appropriate submissions, inspections, delivery, and accounting are your responsibility. Further, you will generally be required to maintain your contract files (including all billing information) for a period after contract completion (the times run anywhere from 3 to 7 years after final delivery). So developing sound contract administration processes is critical to your success in your government activities.

Table 15 (below) provides a very generic list of activities you will be required to do perform if your offer to supply goods or service is accepted by the government.

Table 15: Contract Administration

Activity	Description of Activity	Status	
		In-process	Complete
Project Management	Security Pass/ID management Clearance processing Establish project schedule (milestone development) Progress reports (usually monthly) CDRL report CDRL submissions Other configuration management requirements		
Site Management	Identify site supervisor Establish site management procedures Entry control and management On-site inventory management procedures Site restoration plan		
Accounting	Establish acceptable accounting practices Building project accounts Invoicing in accordance with contract requirements – (Wide Area Flow entries for federal contracts) – state and local requirements vary Budget consumption report Contract closeout – Final billing Maintenance of post-delivery accounting documentation		
Inventory Management	Ordering long-lead items Materials warehousing Vehicle management Waste disposal including proper disposal of		

Activity	Description of Activity	Status	
		In-process	Complete
Inventory Management <i>Cont.</i>	hazardous materials Asbestos abatement management		
Quality Control	Identify project QAE Establish QA procedures		
Inspection and Acceptance	FOB – source procedures FOB – destination procedures Government inspection reports Delivery Reports		
Post-award changes	Identification of change conditions Submission of equitable adjustment documents for change request ECP procedures Value-engineering procedures Negotiation Contract modification procedures		
Contract Closeout	Preparation of final invoicing records, inventory tracking, and inspection & acceptance documentation Warehousing closeout files		

## Bonding

Often the government requires those participating in construction and other specialized service supplying to secure surety bonds as a condition of award. Surety bonds are a form of risk mitigation and protect the government, providing assurance that the contractor will perform as promised or will provide a mechanism for recovery should performance not be possible. Bonding will be required on all construction projects over \$100,000 and may be required for contracts between \$25,000 and \$100,000. In order to secure such bonds, you will have to find a bonding company and supply them with fundamental business information. Once you have met the bonding company's requirements, the bonding company will issue a bond (for a fee), which you in turn provide to the government. The bond (contract between you and the bonding company) is a "hold-harmless"/indemnity agreement from the Principal (you) to the Surety (the bonding company). The Surety agrees that, in the event of a default on the part of the Principal, the Surety is required to perform the terms of the contract (bond) between the Principal and the Obligee (the government).

There are three main types of bonds: bid bonds, performance bonds and payment bonds. Bid bonds assure the government that the successful bidder will honor its bid as submitted. Performance bonds assure the government that you will complete the project according to the agreed upon plans and specifications. Performance bonds can vary from 100% of the contract price to some fraction of that price. Payment bonds assure your customers that you will pay your suppliers and subcontractors as required in the contract.

Usually bonding companies base their bond fees on contract value. For example, if you are awarded a \$100,000 contract, your bonding company may charge 5 percent of that value and you will pay \$5,000 for the bond(s). Actual cost and fees may vary and will be

accounted for as cost of doing business and may be included in your proposal costs. Established companies will often develop a relationship with a bonding company and bonds can be secured by merely submitting the contract for which bonding is sought. However, small firms or firms new to bonding will often be required to submit detailed company financial data along with a list of current service activity and comprehensive past performance information. Small and emerging businesses should anticipate these requirements and begin the process as early as possible. It may even be possible to submit the company's information in advance and have the bonding company pre-qualify you conditional on the receipt of a specific requirement.

There are three factors affecting your ability to get the necessary bonds: character, capacity, and capital. First, you must be able to prove that you have the performance reputation, experience and expertise to perform in accordance with the terms and conditions of the contract. Second, you must be able to prove that you have the capacity to complete the project. Capacity is assessed based on experience, current workload and skill sets. You must be able to demonstrate to the bonding company that you can or have been able to successfully complete a project of this size and complexity. Finally, you must be able to demonstrate that, should you default, there is sufficient capital within your company to make the surety whole for the costs they will incur to remedy your default.

Insurance policies are underwritten with the expectation that losses will occur and the premium charged for the policy contains a provision for covering these losses. Unlike insurance underwriting, bonding companies underwrite to a zero loss ration. If the surety is not satisfied that your character, capacity, and capital is sufficient to provide this guarantee they will not issue you the bond.

The US Small Business Administration (SBA) has a surety bond program design to help small and emerging businesses who might otherwise be unable to get bonding. SBA is authorized to guarantee up to \$1.25 million or 90 percent of losses incurred under bid, payment, or performance bonds. SBA does not issue the bond(s); rather it provides a guarantee to the bonding company that they will financially back your business, which means that you will still have to convince the bonding company you have the character and capacity to perform the work. It is still your responsibility to find a surety and secure the bond. SBA does maintain a list of Department of Treasury (T-listed) surety companies active in the SBA bond guarantee program. You do not have to be a US citizen to participate in the program but you must have legal alien status and you must be qualified to conduct business within the United States. SBA does charge a fee of \$6.00/\$1,000.00 for providing the guarantee to the surety. (See the SBA website for more specific information on the bid guarantee program: [www.sba.gov](http://www.sba.gov))

## **APPENDIX 6:**

### MDT Checklist for Assisting Contractors

#### Introduction

Research suggests that successful outreach programs share two key characteristics: 1) strong customer service, 2) exceptional educational support services. Most small and emerging businesses struggle with shortages of capital and people. Often family supports the primary service provider by providing the administrative support needed to manage the business. Many are very successful even though they lack the education and experience in working with government contracts. Having a support service, e.g., the Small Business Administration or the Office of Disadvantaged Business Enterprises (DBE), can often be the difference between success and failure.

Unfortunately, the government has been aggressively implementing efficiency changes that threaten the availability of these key assets. The Northwest region served by the Helena office of the Small Business Administration has been reduced from 30 people to less than 10 in just the last seven years. The Office of Disadvantaged Business Enterprises (DBE) has only two people available to service over 1,200 potential vendors. Some effort is being made to infuse more resources in these key areas of economic development, but it would appear for the near future the government will continue to struggle in its attempt to provide all the appropriate services needed to effectively assist new entrants into government markets.

One ray of hope lies in technology. To some extent, the lack of human resources, office placement, and marketing funding can be overcome by leveraging information technologies. Recently, Senator Baucus (D-Montana) and his staff, with the cooperation of Governor Schweitzer's Office of Economic Development, began to use the internet, electronic mailings, and electronic activity monitoring to significantly increase support for economic development in Montana. A similar program can be used by MDT to leverage its limited resources to foster greater contractor participation, and improve access to valuable educational materials.

In Appendix 7 of this report, we provide some recommendation to MDT on how it might effectively distribute information that would help new entrants navigate the challenges of government markets. In Appendix 4 we provide a marketing outline that might be used to develop specific marketing/outreach solutions. In this Appendix, we provide some checklists that might be used to improve MDT's customer service and educational effectiveness.

Our research suggests that MDT has done a remarkable job with very limited resources. It also suggests that MDT personnel are exceptionally motivated and have an unusually high sensitivity for customer service. This dedication to improving contractor participation (one of the critical dimensions to a implementing a successful outreach

program) will serve them well as they evolve their educational material and develop new and better ways to leverage their technologies to reach more interested entrants.

## Vendor Registration and Prequalification

Before a potential supplier can participate in government acquisition activities, the government agency must know they are available to participate. One way to find out who might be interested in government contracting opportunities is to simply publish a requirement and see who responds. While this can provide some insight into potential sources, its success is predicated on the assumption that potential vendors know how and when to check for potential opportunities. It also presumes that the potential supplier has taken all the necessary steps to qualify for participation. Often either one or both of these conditions have not been met. Therefore, MDT could greatly improve participation by ensuring that potential vendors are properly registered and that the state is appropriately aware of what they goods and/or services they can provide to the state.

Table 16 (below) is a checklist that MDT can use to make sure that potential contractors are properly registered in both federal and state vendor lists.

Table 16: MDT Pre-qualification and Registration Checklist

Activity	Description of Activity	Status*	
		In Process	Completed
Check Current Vendor Lists to See if the Business is Registered	Federal: Check Central Contractor Registration (CCR) to see if the potential contractor is registered.		
	If registered, review the information entered to determine if it is current and if it accurately reflects what the potential vendor can supply to the government. Make sure business identification information is current and accurate. Assess the accuracy of the business typing, i.e., size, certification of special status, classification, etc.		
	If the business is not registered in CCR, provide registration assistance.		
Assisting with Business Registration	State Business Registration.		
	Local Business Registration (Licensure).		
	(CCR): Provide potential vendors with the CCR link for on-line registration and be available to answer any questions concerning the completion of this registration.		
	State Contractor's Registration: Provide potential vendors with the link to state one step registration on-line registration page and be available to answer any questions concerning the completion of this registration.		
	Government Agency Vendor Lists: Maintain a contact's list that can be shared with potential vendors.		
	Specialized small business registration, i.e., 8(a) program registration, HubZone Registration, Service Disabled Veteran-Owned Business, etc. (Go to <a href="http://www.sba.gov">www.sba.gov</a> for assistance with registrations).		

Activity	Description of Activity	Status*	
		In Process	Completed
	Industry Registrations: Develop a list of industry registration along with process steps required to successful register for such certifications.		

Note: Integrate assistance and referrals into existing agency websites. Recommend DBE develop and maintain database and create a link to this database on existing state agency websites.

## Business Development Assistance

In order for many small and emerging businesses to participate in government opportunities, they first need assistance with basic business development. Providing assistance and recommendations on financing, bonding, operations, and marketing can have a significant impact on their ability to effectively compete for contracts. As a service, MDT can provide guidance and counseling on how and where to find information on business development. In addition, MDT can provide examples and templates that new entrants can use to develop their businesses and make them more competitive. SBA and DBE have already developed many of these materials. Table 17, below, can be used as a checklist to make sure that these materials are readily available to potential entrants.

Table 17: Providing Assistance with Business Development

Activity	Description of Activity	Status*	
		In Process	Completed
Advising on Business Financing	Provide information on any special assistance programs, i.e., small business loan program, small business grant programs, business set-asides, etc.		
	Provide a list of financing institutions that are willing to assist with business financing.		
	Provide business financing educational materials for distribution with vendor registration packages.		
	Include a contractor financing information section on MDT/DBE website (this include links to SBA, SCORE, and private financing institutions).		
	Provide potential contractors with a list of possible grant opportunities.		
Assisting with Business Development	Provide a guide for developing and writing a strategic business plan. (SBA provides a good template for writing a business plan.)		
	Provide examples/templates for: Quality control program Risk mitigation strategies Development of basic proposal writing Development of basic contract administration processes How to enter invoicing information in Area Workflow (used by federal agencies for invoicing, payment, delivery, and acceptance).		
	Provide guidance on how to maintain past performance documentation. Maintaining client databases. Maintaining client/customer feedback documents.		

Activity	Description of Activity	Status*	
		In Process	Completed
Assisting with the Development of a Marketing Program	Develop and distribute examples of: Basic marketing materials: brochures, promotional slicks, and signage. Capabilities briefings Materials distribution plans		
Assisting with the Development of a Human Resources Plan	Provide an example of an effective Staffing Plan.		
	Provide an example of recruiting and hiring policies and procedures.		
	Provide examples and references to the development of an Employee Handbook.		
Providing Basic Business Insurance Information	Provide an outline of the general business insurance requirements.		
	Provide potential entrants with a list of insurance providers.		
	Provide potential entrants information on bonding to include a list of approved surety companies. (See section on bonding, p. A5-9)		

## Sourcing Assistance

Table 18, below, is a copy of the sourcing table provided to new entrants. It provides a basic source list for finding out about government requirements.

The list can be used both to provide assistance to potential entrants and as an educational tool to share information with potential entrants on how government acquisition works.

Table 18: Sources for finding out about government opportunities

Agency	Types of Requirements	Referential Source
Federal	Large requirements with total contract value over \$250,000	<a href="http://www.fedbizopps.gov">http://www.fedbizopps.gov</a> <a href="http://www.fbodaily.com/">http://www.fbodaily.com/</a> <a href="http://www.business.gov/topic/Government_Contracting">http://www.business.gov/topic/Government_Contracting</a>
	Centralized service and goods schedules (General Services Administration)	<a href="http://www.gsa.gov/Portal/gsa/ep/home.do?tabId=0">http://www.gsa.gov/Portal/gsa/ep/home.do?tabId=0</a>
	Small business opportunities	<a href="http://www.sba.gov/services/contractingopportunities/index.html">http://www.sba.gov/services/contractingopportunities/index.html</a>
	Commerce Business Daily	<a href="http://cbdnet.gpo.gov/">http://cbdnet.gpo.gov/</a>
	Franchise & Business Opportunities. G. Government Contracting	<a href="http://www.business.gov/topic">http://www.business.gov/topic</a>
State	Montana: Requirements over \$25,000 in total value	<a href="http://www.mt.gov">http://www.mt.gov</a> <a href="http://gsd.mt.gov/osbs/default.asp">http://gsd.mt.gov/osbs/default.asp</a> <a href="http://mdt.mt.gov/business/contracting/civil/mcadbe.shtml">http://mdt.mt.gov/business/contracting/civil/mcadbe.shtml</a>
	Construction	<a href="http://architecture.mt.gov/DesignConstruction/BidOpening/s/Bid_Opening_List.pdf">http://architecture.mt.gov/DesignConstruction/BidOpening/s/Bid_Opening_List.pdf</a>
	Highway Construction	<a href="http://www.mdt.mt.gov/business/contracting.shtml">http://www.mdt.mt.gov/business/contracting.shtml</a>
	Design and Construction	<a href="http://fwp.mt.gov/insidefwp/department/divisions/dandc/gallery.html">http://fwp.mt.gov/insidefwp/department/divisions/dandc/gallery.html</a>
	Vendor Registration	<a href="http://vendor.mt.gov/">http://vendor.mt.gov/</a>
Local	Public bids – values vary by location	Check local government websites and local newspapers and advertisers for opportunities

Agency	Types of Requirements	Referential Source
For-Fee Services*	GovCB.com: information on federal, state, and local opportunities	<a href="http://www.govcb.com/">http://www.govcb.com/</a>
	BidNet.com: information on federal, state, and local opportunities	<a href="http://www.bidnet.com/">http://www.bidnet.com/</a>
	BIDMAIN.com: information on federal, state, and local opportunities	<a href="http://www.bidmain.com/">http://www.bidmain.com/</a>
	BidContract.com: information on federal, state, and local opportunities	<a href="http://www.bidcontract.com/default.aspx">http://www.bidcontract.com/default.aspx</a>
	FindRFP.com	<a href="http://www.findrfp.com/Government_Contracting/Contract_Facts.aspx">http://www.findrfp.com/Government_Contracting/Contract_Facts.aspx</a>
	INPUT: IT opportunities	<a href="http://www.input.com/corp/response/rfps.cfm?utm_id=538">http://www.input.com/corp/response/rfps.cfm?utm_id=538</a>
	Selling to the Government: Offers state-by-state lists	<a href="http://www.sellingtogov.com/">http://www.sellingtogov.com/</a>
	Advancing Women: Site dedicated to finding business opportunities for woman-owned businesses	<a href="http://www.advancingwomen.com/wominop.html">http://www.advancingwomen.com/wominop.html</a>

\*For-Fee listings are representative only. Inclusion is not meant to suggest preference or endorsement for these organizations as the site included haven been selected to represent an alternate source for finding out about government opportunities. There are many such services. One should be aware that government opportunities over a specific dollar amount must be publicly advertised and the information is available free from government information sources.

## Contract Management Assistance

Government acquisition regulations are very specific on the amount and nature of assistance that the government can provide to potential contractors. While the rules for providing assistance on responding to specific requirements are very restrictive and tend to be limited to only the procuring agency overseeing the requirement, government acquisition policy does promote the sharing of fundamentally on how to effectively manage government contracts. Table 19, below, is a checklist that MDT can use to assess its current government contracting assistance and educational program.

Table 19: Assessing Your Contracting Assistance Program

Assistance	Description	Available	To be Developed
Description of Government Acquisition Process	An informational guide that describes: How government requirements are generated Acquisition processes Request for quotations, Bids and Proposals Contract types Fixed-priced versus cost contracts Requirements contracts Indefinite Delivery Indefinite Quantities (IDIQ) Requirements Contract incentives Award fees Incentive fees Contract administration requirements Project management documents Materials submission Inspection reports Quality Control procedures		



Assistance	Description	Available	To be Developed
	Invoicing procedures Contract Closeout procedures Auditing requirements and procedures Bonding requirements and procedures		
Proposal Preparation Package	An informational guide that gives potential suppliers directions on how to prepare and submit a responsive proposal. How to read a typical government Request For Proposal (RFP) package Contract scope Contract requirements Identifying contract type Delivery requirements Pricing requirements Government furnished property How to complete business representation and certification sections Completing pricing information Completing delivery schedules Preparing proposal compliance checklists Past Performance documentation		
Developing Business Networks	An information guide to: Create a contracting network Write Non-disclosure statements Write a pre-contract teaming contract		
Description of Teaming Arrangements	An information guide on how to develop and management contract teaming arrangements, e.g., subcontracts, joint ventures, and other teaming arrangements.		
Fundamentals of Contract Administration	An information guide on how to administer a government contract: Project management Quality Control Reporting Inspection Contract Modifications Value Engineering Contractor change recommendations		
How to Close Out a Government Contract	An informational guide on how to closeout a government contract: Final inspection reports Site restoration Final invoicing documents Record maintenance Post-contract audits		

Note: Much of the information has already been developed. Recommend using this checklist to determine whether MDT/DBE has this information in its inventory and whether or not it has made it readily available to potential contractors. All documents can be converted into electronic formats that can be easily accessed through the MTD/DBE websites.

## Assessing Your Educational Programs

Beyond providing direct assistance, i.e., direct customer relations support in response to specific customer inquiries, an effective outreach program has an effective, proactive educational program. NWS has developed Table 20, below, to assist MDT in assessing their education program. The checklist can be used either to assess the overall program or specific dimensions (offerings) within the program. In developing the checklist, we relied on best education assessment practices in use by a wide range of primary, secondary and post-secondary educational institutions.

Table 20: Educational Offerings Assessment Checklist

Checklist Item		Evaluation		
		Yes	No	N/A
Educational Program	Have you developed a comprehensive educational strategy for encouraging contractor participation in government contract opportunities?			
	Have you developed an educational assessment plan?			
	Have you completed an annual review of your educational program in accordance with the established assessment plan?			
	Have you incorporated improvements based on your annual program assessment?			
Educational Materials	Do you have educational materials to cover all identified areas of interest identified in your comprehensive educational plan?			
	Are materials current and accurate? (Annual materials update combined with new policy updates)			
	Have you established a schedule for materials review?			
	Are materials readily available to potential parties of interest?			
	Are materials available in both print and electronic formats?			
	Have you established policies for the distribution of educational materials?			
	Are the established distribution policies being followed?			
Course Development	Have you developed appropriate, specific learning objectives for each educational offering?			
	Are the lesson (course) objectives consistent with educational needs of the identified audience?			

Checklist Item	Evaluation		
	Yes	No	N/A
<p>Course Development <i>Cont.</i></p> <p>Are the materials prepared consistent with the educational objectives established for this lesson (course or session)?</p> <p>Are the materials clearly written?</p> <p>Are the materials professionally prepared?</p> <p>Are the materials available in sufficient quantities for the targeted audience?</p> <p>Have the materials been distributed in sufficient time for the potential audience use?</p> <p>Have you established a course inventory management program?</p> <p>Are the course development, management, and distribution program being followed?</p> <p>Have you developed processes for ensuring all copy written material is appropriately safeguarded?</p>			
<p>Instruction</p> <p>Have you developed an instructor qualification standard for each course offered?</p> <p>Has a qualified instructor been assigned to each course offering?</p> <p>Have you identified an instructor responsible for maintaining the quality and integrity of each course (offering)?</p> <p>Have you provided continuing education opportunities to your instructor so that they might maintain qualifications?</p>			
<p>Course Assessment</p> <p>Do you have specific course assessment tools for determining the quality, adequacy, and currency of specific course materials?</p> <p>Have you conducted scheduled course assessments?</p> <p>Have you documented assessment results?</p> <p>Have you made changes to course materials in accordance with the results of the scheduled assessment?</p>			
<p>Have you developed a mechanism for seeking and receiving customer feedback?</p> <p>Is the customer feedback mechanism being used?</p> <p>Have you developed a program for maintaining the currency and relevance of customer feedback</p>			

Checklist Item		Evaluation		
		Yes	No	N/A
Customer Feedback Cont.	materials?  Do you regularly seek customer feedback?  Have you developed a plan for using customer feedback to improve materials and instruction?			
	Partnering  Have you developed any educational partnerships to assist with development and presentation of course materials?  Have you developed a plan for integrating partners in the development and distribution of educational materials?  Is the partnering integration plan being used?			

## Conclusion

Research has consistently demonstrated that a successful outreach program depends on the quality of the customer service and the strength of the educational program. Outreach agencies must be willing to read you to their consuming public. In the case of MDT, we find a motivated customer service team. With the support of their budget authority and management team, MDT has the potential to develop an exceptional educational program; one that will drive MDT's marketing and outreach efforts. NWS encourages MDT to continue on its current path, taking advantage of their existing enthusiasm, existing materials, and available aids.

## Information Provided to Contractors on Bonding

See information provided on page A5-9.

## **APPENDIX 7**

### **MDT Materials Distribution Strategy**

#### **Introduction**

Appendix 4 provides guidance on developing a marketing strategy. This Appendix limits its discussion to the distribution of educational and informational materials. The recommendations included in this Appendix should be integrated into the more comprehensive marketing plan suggested in Appendix 4.

#### **Plan Assumptions**

Plan assumes distribution materials have been or will be developed.  
Resources exist or will exist to affect the distribution plan.  
Event dates will occur at approximately the same time each year.  
All materials will be distributed in accordance with the plan.  
Materials development will be consistent with recommendations made in Appendix 6 – MDT Assistance Checklists.

#### **Plan Limitations**

The plan is a recommendation rather than a prescription. New West Strategies (NWS) expects Montana Department of Transportation (MDT) to use this plan to develop more specific tactical solutions to materials distribution.

Events distribution is based on information known at the time this study was completed. Changes in event scheduling or the additions of relevant events will have to be integrated as information becomes known.

This distribution strategy is based on “best practices” and NWS expertise with similar types of distribution. MDT specialized knowledge is expected to be applied to refine these recommendations.

#### **Materials Distribution Plan**

NWS distribution recommendations are based on a simple audience target matrix (see Table 21, p. A7-2). Similar matrices are used by marketing companies and commercial organizations for new product advertising campaigns.

Developing a materials distribution plan is a relatively routine planning activity. Once MDT has selected those responsible for developing and distributing informational and promotional material, it can follow a simple operational process to develop and distribute materials. Issues that must be answered by the distribution team include:

- Selection of target audience
- Materials Development
- Setting distribution time table for most probable impact
- Selecting method of distribution
- Distributing materials
- Implementation post-distribution management processes

## Selecting the Target Audience

MDT has two general purposes for developing and distributing information about government contracting and MDT business opportunities. First, as indicated in the DBE policy statement, the purpose of materials distribution is based on need to develop and support a business environment for socially and economically disadvantaged individuals. Second, MDT sees it as a part of community responsibility to educate the public about how vendors can effectively manage their government accounts. Therefore, MDT must first decide whether its primary purpose is promotion or education when selecting the target audience.

Table 21: Recommended Distribution Matrix

		Location Distribution						
		Regional	Statewide	SW MT	NW MT	Central MT	NE MT	SE MT
Distribution Method	Web-based Distribution							
	Print Distribution							
	Radio/TV Distribution							

Table 21 illustrates how and where MDT might approach materials distribution. What materials one distributes in these areas depends on several factors. First, one must determine the distribution purpose. If the intent is to educate and increase general interest in MDT projects (Objective #2), then distribution should be made to the widest audience practical. Therefore, all information material, i.e., guidebooks, information sheets, availability of assistance services, and/or templates can be distributed at any time to all sectors. On the other hand, if the intent is to solicit response to a particular MDT need (Objective #1) or to encourage economic growth by offering a specific contracting opportunity, then location and timing will be driven by the requirement. For example, a road construction project in Havre would probably not generate much interest if distributed in southern regions. In this instance, one confines distribution to location and adjoining regions. Therefore, the decision on what and where to distribute is controlled by purpose.

Second, distribution decisions on how and where to distribute is often driven by budget considerations. Distribution of print materials can be very expensive. Unless there is a compelling need to provide potential vendors with printed materials, i.e., unless one is using it as promotional material or it is critical to response to provide printed materials, we recommend limiting the distribution of printed materials. On the other hand, once MDT covers the setup costs, the expense of using a website with an integrated mail merge capability to distribute materials is negligible. Further, the development of an

electronic distribution solution will allow the user to quickly, and inexpensively, update materials.

Third, distribution decisions are influenced by recipient reaction. More and more, business people rely on the internet as their primary information source. Most do not have time to wade through the avalanche of promotional materials they receive. Therefore, it is common for businesses to readily discard unsolicited materials. To mitigate this tendency while still supporting the recipient's need for some printed material, MDT might wait until the recipient has shown interest in particular materials before mailing printed versions.

Fourth, the decision to distribute materials is affected by the circumstance of distribution. Those attending an event expect to receive some promotional material as an element of the event; therefore, distribution is appropriate. However, it is important to keep in mind that attendees collect a lot of information when they attend events. At the same time experience has shown that while attendees appear anxious to collect information, most of that information is quickly discarded once the event is over. Therefore, we recommend that to maintain cost without compromising effect, MDT only provide very basic, general information such as website addresses, contact information, and a list of basic services at events.

Finally, the decision to distribute materials is driven by distribution resources available to prepare and distribute. MDT has very limited preparation resources. At the same time, every member of the organization can be mobilized to distribute information. Every interaction with the public is an opportunity to get out MDT's message. Developing a basic "press package" can be accomplished in a relatively short period of time. MDT has already developed much of this material. Therefore, we recommend building a "press kit" from existing materials. Based on our review of existing materials, development of a press kit would only require MDT to purchase a distribution folder (generic or specifically developed for MDT), select materials to be included, assemble the packages, and make them available to MDT employees participating in events that would support the distribution of materials.

## Understanding the Advantages and Disadvantages of Various Distribution Methodologies

As indicated above, there are several ways for MDT to get its messages out: 1) print materials, 2) web-based information distribution, 3) commercial advertisements and promotions on television and radio, 4) participation in government and business supported events. As of the time of this study, both organizations were active in all these methodologies. Notwithstanding this activity, MDT does not appear confident in the effectiveness of their distribution process. One explanation for this lack of confidence might be found in the application of these methodologies. Table 22 below provides a quick review of the advantages and disadvantages of each distribution methodology.

Table 22: Advantages and Disadvantages of Various Distribution Methodologies

Distribution Methodology	Advantage	Disadvantage
Printed Materials: Brochures, promotional slicks, newspaper ads, magazine ads, posters, guidebooks, informational packages, etc. ...	<ul style="list-style-type: none"> <li>Recipient has a tangible, readily available, and easy to use source document</li> <li>Portability</li> <li>Materials are easy to annotate and personalize</li> <li>Permanency</li> </ul>	<ul style="list-style-type: none"> <li>Limitations in distribution</li> <li>Cost of production</li> <li>Cost of maintenance</li> <li>Difficult to update</li> <li>Storage</li> <li>Inventory management</li> <li>Static medium</li> </ul>
Distribution through a Web portal	<ul style="list-style-type: none"> <li>Easy to maintain</li> <li>Availability</li> <li>Low maintenance costs</li> <li>Ability to update quickly and easily</li> <li>Dynamic media with the potential to provide multi-dimensional media to include interactivity</li> </ul>	<ul style="list-style-type: none"> <li>Cost of initial setup</li> <li>Cost associated with specialized human resource need to maintain the site</li> <li>Requires capital investment</li> <li>Requires specialized information technology skills</li> <li>Requires participant to invest in reception equipment and connections</li> </ul>
Television and Radio Advertising	<ul style="list-style-type: none"> <li>Supports widest distribution, which includes the ability to reach otherwise unknown target markets</li> <li>Widely used media that facilitates target audience expectations and information reception behavior patterns</li> <li>Multi-dimensional communications media, which supports greater sophistication in message transmission</li> </ul>	<ul style="list-style-type: none"> <li>Expensive</li> <li>Can lack that personal feel often desired by those that may be looking for assistance</li> <li>More challenging to determine when and where to employ limited resources</li> <li>Requires the involvement of outside agents in the preparation and distribution of your message</li> <li>Non-interactive which can make it difficult to predict recipient reaction</li> <li>Effectiveness can be influenced by the quality of the delivery modality and the messenger</li> </ul>
Participation in government and business support industry events, i.e., conferences, trade-shows, industry days, etc.	<ul style="list-style-type: none"> <li>Demonstrates a higher level of commitment to the message</li> <li>Dynamic communications environment that supports real-time interactivity</li> <li>Gives potential recipients the personal contact important to future interactions</li> <li>Supports dynamic networking, i.e., the ability to quickly expand the message and the brand</li> <li>If effectively done, promotes confidence in the expertise and professionalism of the organization</li> </ul>	<ul style="list-style-type: none"> <li>Limited reach</li> <li>Expensive with a limited return on investment</li> <li>Recipient's often confuse the message and the messenger</li> <li>Message competition between the organization and the event</li> <li>Concentration and diversity of messages can dilute the organization message as recipients are overwhelmed by the concentration and intensity of the various event messages</li> </ul>

As suggested by Table 22, each delivery methodology has advantages and disadvantages. However, the choice of methodologies is not necessarily a choice of one delivery style over another but rather it is the acceptance that each has something to offer and the



challenge is to “fit” the appropriate delivery methodology to the situation. As MDT has already experienced, it is important to maintain all options. However, to be effective they must match delivery to message to recipient to optimize employment effectiveness.

## Distribution Recommendations

Based on our study, New West Strategies offers the following recommendations to MDT as it proceeds in the development of its information distribution strategy.

- Use the MDT web portals as the primary repository of your promotional and educational material.
- Develop a print “press kit” using or refining existing materials.
  - Press kits should include reference to web portal, contact information, and basic site navigation instructions.
  - Educate internal organization community on the press kit, its contents and its use.
  - Make the “approved” press kit available to organizational representatives participating in government and/or industry support events.
- Develop a regional visit plan, i.e., a plan that targets each of the five regions within Montana. The plan should establish a regional event schedule, provide a discussion of the level and type of activity to be accomplished with each visit, and provide cost estimates that can be used for budgetary requests. Where possible, regional visits should be coordinated with other planned regional activities such as the Governor’s regional economic development activities, regional public events or SBA’s regional small business reviews or scheduled project reviews. Furthermore, regional visits should be supported by a representative organizational team, i.e., project engineers, construction supervisors, small business advocates, acquisition personnel, and/or industry subject matter experts.
- Conduct annual small business events (alternating the location of the event between regions). This event can be scheduled to coincide with the annual economic development event sponsored by Montana’s congressional representative. The event should include an informational meeting, training seminars, and individual counseling sessions.
- Increase the use and frequency of organizational press releases. Currently, the MDT’s press activity is limited with much of the airtime dedicated to informational releases associated with specific project activity. NWS recommends organizational participation in Sunday morning public programming that addresses issues in Montana, soliciting the support of local television and radio news programs, development of additional public service announcements to facilitate project support and vendor participation.
- Develop a quarterly MDT activity newsletter and use developed vendor lists to make distributions through the MDT web portal.
- Publish and distribute contractor government contracting assistance material (See Appendix 5 – Contractor checklists) – [Website posting and printed materials distribution based on requests and event activity.]

## Sample Distribution Timeline

- July 1 - Publish first quarter MDT newsletter.
- August 1 - Distribute (through web portal and established email mail merging) listing of next year's expected project lists.
- October 1- Publish second quarter MDT newsletter.
- November 1 - March 1- schedule regional visits (where possible include training opportunities with the visits).
- December 1- Follow up/update distribution (through web portal and established email mail merging) of the listing of next year's expected project lists.
- January 1- Publish third quarter MDT newsletter
- February 1- Publish an activities submission calendar for known MDT solicitations
- February 1 – March 1- Participate in transportation construction industry sponsored consortium. (depending on scheduling)
- April 1- Publish fourth quarter MDT newsletter
- May 1 – June 1 - Review marketing plan and update materials.

This document was published in electronic  
format at no cost.