Most engineering firms work with both public and private clients. It’s a sound business strategy as public and private markets tend to follow different economic cycles.

Specific project undertakings, however—from business development to contract negotiations to managing the project—can vary dramatically for an engineering firm, depending on whether the client/owner is public or private. ▶️
REFERENCES
“We’re pretty evenly split between public and private,” says Ray Hart, president of GEI Consultants, which has 700 employees in 36 offices nationwide. “We like to maintain that balance because it provides us a solid growth platform and gives our employees a diverse set of experiences.”

Other differences in working with private and public clients, however, are less symbiotic, and a few actually clash. Firms that successfully serve both sectors have adapted their operations and tailored their staffs so they can seamlessly meet these two sets of clients’ disparate needs.

**Market Forces**

Dewberry, which employs 2,000 people in 40 offices nationwide, is in the middle of its five-year strategic plan. At the plan’s core is a goal of maintaining a balance of two-thirds public client work (one-third federal and one-third state/local) and one-third private client work.

“You have to respond to what the market gives you, but we’ve found that any time we get too far out of that balance, we start to encounter problems,” says Dewberry CEO Donald Stone Jr. “At the beginning of our current strategic plan, we were more heavily involved in the public sector, so we put in tactics to build our book of business in the private sector, such as targeting Fortune 500 companies that fit our footprint.”

Blending public and private sector work offers several benefits. “In the public sector, the programs are larger, they’re more predictable and the funding is more certain. You can forecast your staffing needs more effectively over a longer period,” Stone says. “Private work tends to be quicker and more market-responsive and has a faster churn. Ideally, we have a strong, long-term backlog built off of the public sector, and plentiful private client work to fill in the gaps.”

Engineering firms can take advantage of the two sectors’ different economic cycles, says MWH Global Chief Corporate Officer Jim Kuiken. “The public sector tends to be stable and lags the private sector when the economy changes. If you look at the recent recession, the private sector responded very quickly, while the public sector, because it’s funded on an annual basis through taxes, declined much more slowly.”

As the market climbed out of the downturn, the private client market was the first to recover. The quarterly ACEC Engineering Business Index (EBI), which tracks the performance of the engineering industry through Member Firm leader sentiment, has consistently shown growing confidence in private markets, while expectations for the public market have traditionally remained flat. Following passage of the recent $305 billion, five-year transportation bill, however, Member Firm CEOs expressed a renewed confidence in the public market, while retaining their optimism about the private sector.

**Differences Outweigh Similarities**

Public and private clients share some primary characteristics. The fundamentals of working with clients are consistent across both sectors, says Hart. “They expect us to understand their business drivers, and they want value-based solutions and timely delivery.”

The differences between the two types of clients, however, can be glaring. Relationships, for example, are much more important in the private sector.

“We have [private] clients with whom we’ve worked for years,” says Hart. “We’ve built up strong relationships with them and understand their drives, which helps us better position ourselves for work coming down the road.”

“You do right by them, and they’ll stay with you,” Kuiken says of private sector clients. The public sector is another story. “They’re under pressure to spread the work around. Even if you do a stellar job, your reward often is to go to the back of the line and wait until it’s your turn again.”

Stone adds that “the pace of awarding the work is materially different. With private clients, the incubation of the opportunity, the pursuit and the award are measured in weeks rather than in months. Because of the slow pace in the public sector—as well as regulatory compliance—the cost of sale in the public sector is higher.”

Once the design gets underway, pace becomes another defining difference between the private and public markets.

“Private clients are much more results-oriented. Get us the right answer, don’t worry about having taken all the steps along the way,” says Kuiken. “In the public sector, they’re much more focused on the process of executing the work, doing everything in the right order and checking all the boxes.”

Financing drives that need for speed in the private sector, says Mike McMeekin, president of Lamp & Rynearson & Associates.
whose 150 employees work out of three offices in Nebraska, Missouri and Colorado. They often borrow to finance their projects," he says, "so that creates pressure to get things completed and underway."

Private clients also tend to have a much more realistic view of risk than public clients.

"Private sector clients understand risk better, understand that it's a cost and are more inclined to accept their share of the risks that they have control over," says Kuiken. "The public sector doesn't understand risk, doesn't place any value on it, doesn't want to pay for it and tends not to allow you to charge for it."

Both sectors put a focus on a firm's safety statistics, but Stone says that while "safety is expected in the public sector, it is a prequalification in the private sector."

The differences between the two groups begin to narrow on the financial side of projects. If a firm is providing "straight-up services in the public sector, the margin is pretty fixed," says Stone. "But public clients are increasingly moving toward design-build, which is more of a risk-reward relationship, so there's an opportunity to earn a higher margin."

Or sometimes a lower margin, says McMeekin: "Many public sector clients seem motivated to lower fees as much as possible in the interest of protecting taxpayer dollars."

As always, says Kuiken, "If you provide a unique service, clients are willing to pay a premium. If it's a commodity, they'll work your margin pretty good."

One difference between the private and public sectors that remains is the certainty—or lack thereof—when it's time for payment.

"Private sector clients can be credit risks," says Kuiken. "You don't have that issue in the public sector. They may not be as fast in payment, but eventually they pay."

McMeekin points to another payment risk specifically with private sector land development clients. "We're increasingly seeing demand for upfront services with no guarantee of payment if the project does not go forward," he says. "That would never be an issue in the public sector."

Adapting Operations
To best respond to the differences between private sector and public sector clients, many firms assign different staff members to work with each group, especially in the business development and project management areas.

"There's some straddling, but we've found that it is better to have groups that focus on the different clients," says Kuiken. "The mindset of the people is important because each of these clients demand different things from us."

Working with private clients requires speed of responsiveness, innovation and a focus on customer service, whereas public clients put a high premium on following the process and checking all the boxes.

"If you put a staff member who is used to working with public clients onto a private sector project, that client would become unglued within a week," says Kuiken.

One key attribute for staff members who work on public sector projects is to be good at public outreach. "Being able to engage with the public is a skill set that not every project manager has," says Stone.

Lamp Rynearson is organized around market sector, so staff members work in both sectors, says McMeekin, although many work more in one than the other. "I don't think the skill sets are that different," he says, "except in the private sector, you have to have staff that accepts unreasonable deadlines and are willing to put in overtime."

"People tend to self-select the type of clients they want to work with," Kuiken says. "They gravitate to those they're better with."

Getting Into Private Client Work
If a firm working primarily in the public sector were looking to get into or expand its private sector activities, what would be its first steps?

Stone recommends hiring someone at the senior level who has private sector experience. "Go outside and get some talent," he says. "You can't build your private sector work with public sector skill sets. They're too different, the market is too competitive and it'll take you too long."

Kuiken concurs. "Don't try to take the same people who are used to working with the pace of the public sector and put them with a private sector client and expect to be successful. The perspective is just too different."

Hart suggests that firms looking to move into the private sector adapt their operations to be more responsive to economic cycles and the demands of their new clients. "Structure your firm to reflect the needs of the client, not your own."

In the hunt for private sector clients, McMeekin also recommends caution. "Look for stability," he says. "How long have they been around? Do they pay? And if they used to work with one of your competitors, find out why they're changing."

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