

What an Owner Wants From a Contractor: Critical issues considered before awarding a contract

A construction industry consultant tells the story of a successful contractor who was expanding his business with the opening of a new branch office in another geographical area. This long-established operation had been so successful that it had come to dominate the market in the city where it was based. The owner, having outdistanced all his competitors, believed he had the capability to repeat this success.

His business was the installation of millwork and high quality architectural finishes in churches, restaurants, offices and retail outlets. He was very proud of his group of highly skilled tradesmen, expensive equipment and network of supplier contacts which enabled him to procure special materials. In preparing to expand into the new market, he was making arrangements to duplicate these items, which he believed were key to his success and would ensure it in the new venture.

The consultant advised him to interview some of his customers to find out what else might be important. In talking with these clients, for whom he had done a good deal of work, he expected them to speak of prices, the skill of his workforce and the tools and technology he utilized, but was shocked to find that those things had little to do with why they continued to give him their business.

What the customers really liked was that his employees were unfailingly polite and accommodating, kept their worksites clean and tidy and were careful to minimize noise, dust and any disruption of the clients ongoing operations. When the contractor asked about costs and the quality and speed of his work, the owners responded that yes, these were of concern, but were defined in the plans and specifications and could be provided by many other contractors. What did make a difference from those others was how this contractor performed his service. The clients could buy the product elsewhere, but this contractor, albeit unknowingly, had an advantage in that he responded to the customers most important concerns - those things that didn't appear in any plans or show up in the finished project.

This may be an unusual example, but it is true that contractors and their clients often do not have a good understanding of each other's needs and points of view.

Interviewing different purchasers of construction services about what is important to them in a contractor, produces answers which may be surprising to construction contractors. Contractors are, by necessity, preoccupied with costs and the actual processes, materials and manpower involved in building. They have to be focussed on these nuts and bolts issues, or they will not be able to make a profit nor compete for new work against other contractors who are also constantly striving to become better and faster.

Because contractors are so preoccupied with these building questions, it is not surprising that they assume that their clients are also totally focussed on whether a specific task will be completed, what the price will be, what equipment and manpower will be coming on site, etc. Responses from owner after owner, however, are remarkably similar and reveal that this is not the case.

The owners' concerns are not those of price and building processes, but rather the things that do NOT appear in the plans, specifications and bid documents. For the most part, those seeking to have a project built are confident that there are contractors available that can deliver the product they want. The competitive nature of the construction market also enables them to accurately assess their costs. The owner also has the ultimate protection of the plans, specifications and a signed contract. Even if an owner ends up with an incompetent contractor, there are enough safeguards in the system - bonding, insurance, contractual language, inspection, testing, building codes, etc. - that there is reasonable assurance that a satisfactory final product will be delivered. That is, of course, why contracting came into existence in the first place.

Because market forces determine price and the plans and specifications set out exactly what is to be done, owners do not always ask detailed technical questions when comparing and choosing contractors. They do not ask if XYZ Construction will have a big enough crane to lift their vessel or if ABC Construction can install a new curtain wall system, but rather - can we trust these people and build a good relationship? Do they have a good safety program? Will change orders be handled fairly? Can they give us input on constructability? Do we know their field people and are they easy to work with?

When asked what they want from a contractor, owners with widely varying construction needs and budgets, come back with answers that are virtually interchangeable. From industrial giants like Nova, Esso and Shell, a big retailer like Safeway or a small one like A & B Sound, to housing or shopping centre developers or a company with a very long history like Alberta Wheat Pool, what they say are the important prerequisites in a contractor are very similar. Most contractors would not expect these things to be so important to their customers.

Of course, it is important to consider whether or not an owner awards work on a low bid lump sum open tender, limits bidders to a pre-qualified list or negotiates a contract without a tender process. Particularly for public projects, cost is usually the number one consideration in deciding whether a project proceeds and often in who builds it. If an owner makes a decision to award a construction contract to the lowest bidder, he trades his discretion to hire a contractor of his choosing for the hope that he will receive the lowest possible price. Unfortunately, no better system has been devised for ensuring the protection of public funds in government procurement. Because taxpayer-funded civic construction is a large part of the construction market, open competitive tendering will continue to be common in the industry.

This system, with its emphasis on price, has a great many drawbacks, and anyone with experience in the construction industry can relate horror stories of jobs gone wrong. Often the signing of a contract is the opening bell for a prolonged wrestling match between owner and contractor over what is, or is not, specified in the contract documents. Frequently extremely adversarial relationships develop and lawyers are the only ones to profit from these jobs.

For many private purchasers of construction, the more frequently they buy building services and the more certain they are of their requirements, the further they move away from the open tender system. Most private entities restrict their bid lists to contractors that are pre-selected on criteria such as past performance, bonding, safety programs, etc. This pre-selection assures an owner that, although he may not

get the lowest price, he will get a reasonable one. By restricting bidders to known contractors, owners are able to ensure attention to the important concerns that are not in the bid documents - teamwork, safety, trust, cooperation, etc.

Often owners will move a step further and award work strictly through negotiation with the contractor of their choice. For a company that requires construction on a regular basis, knows exactly what it wants and is confident in the quality of its contract documents, this may be the most efficient and cost-effective method.

John Holden, Manager of Facilities Engineering and Construction for Alberta Wheat Pool explains that while the company still puts some work to open tender, they have long-term relationships with several contractors and do a good deal of work based only on a yearly negotiation about rates. They have an extensive history of building facilities and once ran an in-house construction division. Thus, they are familiar with their requirements and costs and are confident that cost-effectiveness is not compromised by bypassing the tendering process, but is, in fact, enhanced by relying on contractors they have built up long-term relationships with and who are familiar with their facilities and requirements. They also recognize that the bid process itself costs money for both contractors and owners.

What enables a contractor to become a preferred supplier for an owner? While technical competence and competitive pricing are mandatory, beyond that, owners large and small recite a list of traits and qualities that doesn't vary much - trustworthy, co-operative, responsible and mature. They look for contractors who handle changes fairly and efficiently, ensure safe practices, provide accurate pricing, can meet the schedule and sustain long-term relationships.

Many contractors will scoff at these values and are adamant that price still means everything. It is true that the industry will continue to have a large component of lump sum low bid work, but private sector owners, however, insist that how they purchase construction services is changing. Contractors have much to gain in understanding that process and recognizing what is really important to their customers.