

The Dynamics of Successful Owner/Contractor Engagements

DEFINING THE OWNER/CONTRACTOR RELATIONSHIP

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Introduction

The success of contracted engagements (including capital projects, plant turn-arounds, and supplemental labor or maintenance agreements) is based on establishing effective relationships and communications between the owner and the contractor management teams. Large, complex contract engagements necessitate significant planning and cooperative owner/contractor efforts that involve executing well-developed plans to help ensure that contractual issues and project failures do not occur. In addition, since the daily contracted work environment is filled with variables, the owner/contractor management teams must apply flexibility in the daily decision-making processes. Still, daily activities must be planned and documented with expectations to help ensure a successful outcome.

To begin, we must be clear about the definition of "owner." In this case, an owner can be defined as the party in control of the contracted resource, and may or may not be a stakeholder in the capital asset for which the contractor's activities are conducted. For instance, a manufacturing corporation may determine the need for a production or process expansion. Lacking the internal resources to engage further, the corporation hires and fully funds an engineering and construction firm (E&C or EPC) to manage the entire project scope. Ultimately, the E&C firm contracts with general contractors (GC) to perform the project work. In this circumstance, there are two separate owner/contractor relationships:

- 1) The corporation and the E&C firm
- 2) The E&C firm and the GC(s)



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To help ensure a successful conclusion to the contracted work, the dynamics of both relationships are integral, as is the ability of the E&C firm to effectively bridge the needs of both the corporation and the GC(s).

In some contracted environments, the owner/contractor relationship is often as simple as a service contractor occasionally meeting with a company contract administrator to review performance and future expectations. Here a much simpler engagement exists. Regardless, effective relationships and communications for successful outcomes are necessary.

Effective Communication – A Critical Component

For the purpose of this discussion, effective communications can be described as follows:

- **Contractual** – everything that is captured in the contract's standard language, Scope of Work (SOW), and specified terms and conditions (T&C)
- **Planned** – all developed information that is communicated as a result of pre-contractual and early contract planning, including design, scheduling, constructability, material, equipment, safety considerations (process hazard assessment/hazard safety assessment, engineered employee fall protection), etc.
- **Situational** – Daily work scope considerations including weather, co-occupancy, permitting, confined space entry, hazardous energy, excavations, temporary material storage, etc.

In order to make sure that the owner and contractor are “on the same page,” it is critical that they have a well written, complete contract that can be executed with a minimum of irresolvable differences. In addition, it is essential that the owner's contract administrator obtain critical input from all relevant parties involved with the project before incorporating this feedback into the T&C. This will help create a well-written contract. At minimum, input from operations, engineering, finance, environmental and safety is expected in the T&C development. Once the T&C are generated, all owner participating parties should review to help ensure that:

- No loopholes exist.
- The T&C expectations are reasonable and attainable.
- There are means to measure contractor performance once the contract is executed.
- There are remedies for non-performance.

The Importance of Planning or Front-End Loading

Ed Merrow, founder and President of Independent Project Analysis, Inc., believes...“contractors almost always succeed when the project has a strong business case, fully aligned stakeholders, bought-in-sponsors, an integrated owner team, and best practical front-end loading.”

DuPont places a huge emphasis on planning or “front-end loading” in construction (FEL). From our perspective, planning for capital projects and turn-arounds can take years and is absolutely critical. Overall, our planning processes are regarded among the best globally when it comes to desired outcomes of finishing on-time, within budget, and without injury or capital losses.

Regardless of the nature or size of the contract, the owner must invest in the planning process, and the documentation to support this planning must be readily conveyed to the contractor up-front as much as possible. If something is not addressed within the contract, it must be clearly understood in bidders' meetings, and once awarded, the contract should be reviewed again during the pre-job start-up meeting.

In addition, all parties must clearly understand and acknowledge the scope and ramifications of the plan specifics. Next, the “who” as it relates to each party, must be clearly communicated because this is frequently where gaps become readily apparent later in the contracting engagement and where communication is most critical. In short, it is imperative to clearly define who the real customers and suppliers are as it relates to the project. For example, having a pre-job meeting with a civil contractor management team that has no carpenter, rebar steel, laborer, concrete, or heavy equipment supervision present creates gaps in understanding and execution that causes work slowdowns, overruns and change orders.

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A Focus on Situational Considerations

The best gauge of effective owner/contractor communications can be seen in daily supervisor meetings where situational considerations are addressed. Often times the people engaged in communications are lower level supervisors that are “in touch” with the work pulse. These daily decisions often have little impact on the outcome of the contract; however, collectively, they can make the difference in the overall success of the contract. Likewise, although infrequent, an improper daily decision could have devastating effects.

It is within the confines of daily communications that issues over safety, environmental and capital have the greatest potential for compromise. As a result, the potential for incidents and injuries also increases. On the other hand, well managed supervisor meetings, whether daily for large contracting engagements, or weekly for the small service contracts, reinforce the owner’s culture, and contractors’ accordance.

There are several ways to help ensure that the owner and contractor are working as a team via this communications venue, including:

1. Begin each and every meeting with safety. Use contract planning to develop daily safety topics in advance, but be flexible. Often times, the present provides a relevant option for a safety contact, including adverse weather, a “near-miss” incident the prior day, unforeseen co-occupancy issues or a change order.
2. Train for and implement daily supervisory job safety analyses (JSAs) that cover the scope of the work scheduled that day. Be certain that the crew for which the supervisor has responsibility contributes to, and agrees to by signature, the job safety tasks defined. Share the responsibility with the crews.
3. At day’s end, review the results of the activity, and assess any issues that did not go as planned for corrective action. Include the topic the next morning with the crew in the tool box talk.

Finally, there is no better evidence of dedication and cultural influence than for the owner and supervising contractor to “walk the walk, and talk the talk”. It is important that they are seen together, addressing issues as a team with common goals and objectives in mind. The influence of teamwork is contagious. If issues are addressed more frequently as a team, there will be more control over the project and it will be less likely that unpleasant surprises occur.



For more information on the comprehensive DuPont Contractor Safety Management Process and our world-class consulting services, call us today at 1-800-532-SAFE (7233) or visit us at www.sustainablesolutions.dupont.com

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