



# FAILING TO PLAN IS PLANNING TO FAIL: SUCCESSFUL PROJECT TIPS FOR OWNERS

By Chris Hanvey

**P**art one of this two-part series addressed change order management and claims from the contractor's perspective. This article will focus on techniques from the owner's perspective for planning and managing project change and avoiding claims. Although this information is geared toward owners, the information can help all parties on a construction project. Construction is not a one-way street, and it is beneficial for each of the parties to have a more complete understanding of the other parties' perspectives.

In today's construction industry, almost all projects are on the fast track. The amount of time taken in the conceptual design, project development, and detailed engineering phases has become increasingly compressed as cost and schedule concerns have become more important. In recent years, innovative project delivery systems, such as design-build, have become more prevalent in an effort to maintain a timely and cost-effective project delivery while mitigating the potential for problems with the contract documents. While the upfront planning and design stages are compressed to facilitate a faster project completion, greater effort and cooperation is paramount to ensuring these initial stages are performed completely and accurately to minimize any impacts to the project.

This article will address several key areas that are routinely encountered by claims consulting experts.

## LACK OF CONSISTENT CONTRACT DOCUMENTS

The majority of disputes that construction claims experts see originate as a result of inadequate, incomplete, and/or inconsistent contract documents, drawings, and project specifications. Inconsistent and incomplete project documents may require re-engineering, engineering holds, construction rework, and excessive requests for information and change orders from the contractor. To minimize the potential for these problems, owners should:

- clear bid and contract documents;
- designate an owner representative; and
- establish the precedence of documents.

The owner should perform a thorough review of the bid documents, as well as all contract documents, prior to entering into a contract agreement with the contractor. Prebid clarification meetings with bidders can be effective at reducing inconsistencies in the bid documents, and subsequently the contract documents, as there are numerous contractors "checking" the documents and asking for clarifications on potential discrepancies.

Before the bid process begins, an owner representative fully familiar with the project should be designated as the point of contact for all document discrepancies, questions, requests for information, etc. A single point of contact for noting discrepancies and requesting information concerning the scope of work will keep issues from falling through the cracks.

Owners should establish a precedence of documents in the contract. This will help ensure that there is a clear delineation of the contractor's scope of work, which will potentially reduce severe conflicts and costly change orders for changes to the scope of work. The precedence of documents establishes a clear path for determining the contractual scope of work in the event a conflict between documents is discovered. This allows the owner to decide whether the contractual scope of work is acceptable, or whether it wants to issue a formal change order to modify the work scope. Lack of an order of precedence clause in the contract will almost always result in a change order when discrepancies arise.

## FAILURE TO ADDRESS DISCREPANCIES IN A TIMELY MANNER

The parties involved should establish procedures for handling discrepancies in the documents from the beginning of the project and incorporate these procedures into the contract. Consider requiring timely contractor notification in the event discrepancies in the drawings, specifications, and contract documents are encountered. This will likely allow the owner to determine the best course of action to mitigate potential impacts to the contractor.

The contract notice requirements should also address timely response to these issues from the owner. It is the owner representative's responsibility to ensure that the owner responds in a timely fashion. Simple requests for information can become more expensive change orders and disrupt the project if left unaddressed. Larger issues should be prioritized and handled as efficiently and expeditiously as possible to mitigate disruption to the project. An experienced owner representative can prove valuable in effectively prioritizing and handling these issues. However, at no time should a contractor's notice of discrepancy or request for information be left unanswered beyond the time limit specified in the contract.

If there are known areas in which information is incomplete, contractors should plan in advance for handling this situation. This may include when the information will be available; how the information will be incorporated into the documents; and what workarounds, if any, will be required. Also, the options available in the event the missing information is not available when planned should be considered.

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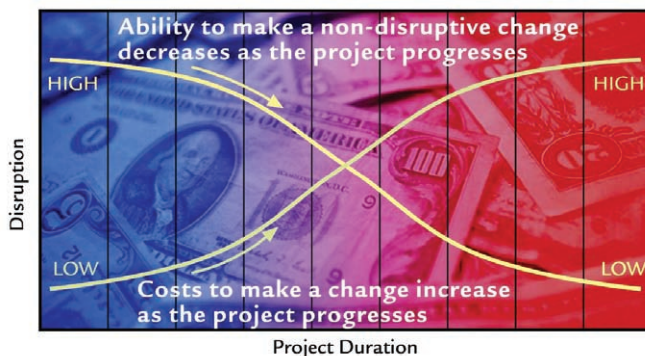
## LATE CHANGES

The most important factor in managing change and mitigating the potential impacts is to recognize the increasing impact of changes as the project progresses. Early in the project, a change may only require a small modification to an engineering drawing. However, if this same change is made later in the project, after construction has begun, it might require the demolition of existing work and rework in addition to the engineering change.

Also, the impact of changes is more easily absorbed into the overall project earlier in the project. Most schedules contain some float to absorb any potential schedule delays or impacts, and the project contingency is more likely available to cover additional costs associated with the change. Later in the project, the schedule is more compressed, contingency has already been used, and there is less potential to mitigate the impacts of the changes by resequencing or accelerating work, reducing costs in other areas, etc. Figure 1 illustrates the general relationship between the timing of changes and the ability to mitigate the impact of the changes on the project's cost and schedule.

All preferential engineering should be considered and

Figure 1: Increasing the Impact of Late Changes



implemented during the conceptual design stage prior to detailed engineering and construction. Minimizing “preferential” changes will reduce the overall impact to these activities. Also, a project will inevitably experience some change that is unexpected. Managing these changes is difficult enough without having to deal with avoidable, preferential changes. Spending additional time during the planning stage to consider all

options and make a decision regarding any preferential items will prove beneficial.

The construction claims experts of Interface Consulting International, Inc., have noticed that a large majority of the projects that get into enough trouble to require their services have a breakdown in construction fundamentals similar to the ones described here. Whether the problem is caused by a lack of knowledge and experience, complacency, or cutting corners, the results are the same—a project that takes longer and costs more to complete. A project's success can depend on understanding that change is going to happen before it happens, and having effective plans in place for minimizing, mitigating, and handling changes. ♦

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