

WORKING WITH CONTRACTORS

Know when to hold 'em...

Know when to fold 'em.

Energy Out West Conference
JUNE 2008

Today's Discussion

- Who we are
- What do you want, and what works for you?
- What contractors want
- What we want from contractors
- Keys to partnership
- How to address inevitable problems
- War stories, tales, trials and tribulations



Decisions, Decisions... Which Way do we Go?

CONTRACTORS:

- Quality control (lack of)
- Price & contract negotiation
- Less jobsite supervision
- Contractors purchase and warehouse materials

CREWS:

- Quality may be easier to control
- Cost control but not nonexistent negotiation
- Management intensive
- Purchasing/warehousing administration



What do Contractors Want?



- Cash flow/ net 10
- Work flow
- Defined quality expectations
- Profitable work
- Communication
- Consistency

Do We Give Contractors What They Want?

- 45 day payment
- Regular work flow (12 months +/-20%/month)
- Written QA/QC standards/disciplinary guide
- Written procurement process
 - Lowest responsible proposal
 - Negotiated pricing
 - Time and material
- Formal communication processes
 - Regular meetings
 - E-mail, telephone, fax, snail mail, smoke signals

How about what
they NEED?

Consistent Application of All of the Above

What do WE WANT From Contractors?

- Low prices
- 24 hour service
- Consistent quality
- Immediate communication
- Consistency
- Responsiveness



What Do We Really NEED From Contractors?



- ▶ 45 day terms
- ▶ Be creative
 - If it's not against the law (Agency, State, Federal or Local, maybe you should consider it)
- ▶ Competitive pricing
- ▶ Responsiveness, meet timelines
 - Written change orders, communicate problems
 - Client focus
- ▶ Quality in alignment with the written specification

Consistent Application of All of the Above

Creating Partnerships with Contractors

- ▶ Prescriptive procurement process
- ▶ Detailed and Formal Contractual agreements
- ▶ Formal & informal communication strategies
- ▶ Training
- ▶ Mutual Respect
- ▶ Consistency
- ▶ Dealing with or avoiding conflict
- ▶ Removal of the bureaucracy
- ▶ Transparency of processes



Techniques for a Partnership : Do Your Homework First

Procurement Process

- ▶ Use expert advice
 - AIA, legal
- ▶ RFP: clear specs and standards
- ▶ Public process if needed
- ▶ Lowest responsible *or* negotiated proposal
- ▶ Adequate notice
- ▶ Predictable process

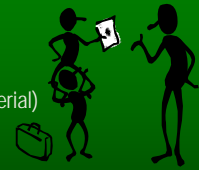
- ▶ Communicate
- ▶ Encourage input
- ▶ Agency and contractor performance review



Key Elements for a Partnership

Contractual Agreements.

- ▶ Length of contract. Renewable?
- ▶ Performance specifications
 - Quality standards (labor & material)
 - Change orders
 - Timelines
 - Detailed pricing and payment terms
 - Review process/disciplinary guidelines/liquidated damages or pay-for-performance
 - Warranty: length and coverage
 - Process for dispute resolution
 - Encourage input



Key Elements for a Partnership

Contractual Agreement

- ▶ Always work for total compliance and acceptance
- ▶ Transparent Q&A and Q&C process
- ▶ Remember, "People do what you *Inspect*, not what you *Expect*"



Key Elements for a Partnership

Communicate

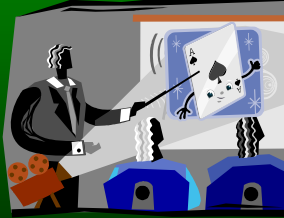
- ▶ Form a contractor council
- ▶ Hold scheduled meetings
- ▶ Write a regular newsletter
- ▶ TSBs, ASBs, ISBs
- ▶ Home Energy Magazine
- ▶ Encourage shared events
 - ACI, CSI, Contractor Association
- ▶ Learn about your contractor's business and teach him/her about yours



Key Elements for a Partnership

Training

- ▶ Assess needs
- ▶ Write curriculum
- ▶ Designate trainer or outsource
- ▶ You first
- ▶ Contractors
- ▶ Clients



Key Elements for a Partnership

Treat each other with respect.

- ▶ Don't initiate or respond to shouting matches. Take a deep breath.
- ▶ No name-calling
- ▶ The Golden Rule rules
- ▶ Common courtesy goes a long way
- ▶ In the long run, if both sides don't win, nobody wins



Key Elements for a Partnership

Be Consistent

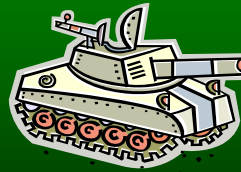
- ▶ "Well executed processes are by definition repeatable and consistent"
- ▶ Knowing what to expect is the management of expectations



Key Elements for a Partnership

Dealing With Conflicts

- ▶ Kill problems when they are small
- ▶ Stay pro-active not re-active
- ▶ "Successful negotiation leaves everyone slightly dissatisfied."
- ▶ Be willing to switch principals (not principles) with personality conflicts
- ▶ Minimize the opportunity for conflicts with the preceding techniques
- ▶ Avoid litigation



Key Elements for a Partnership

Avoiding Conflicts

- ▶ Be customer/client focused
- ▶ Exceed quality standards
- ▶ Be on time
 - ◆ Payment
 - ◆ Job completion
 - ◆ Appointments
- ▶ Communicate
 - ◆ Understanding moderates mistakes



Key Elements for a Partnership

Process transparency

- ▶ No *Good Ol' Boy* network
- ▶ Arms length with vendors and contractors
- ▶ Fair and equitable treatment of interested parties
- ▶ Public announcements
- ▶ Mike Wallace test



Key Elements for a Partnership

Managing Bureaucracy: an Agency Role

- ♣ Reduce intimidation factor
- ♣ Educate your contractors
- ♣ Deal in realities
- ♣ Help with the paper chase

Keys to Contractor Management

- ♣ It's a two-way street
- ♣ "My way or the highway" doesn't work
- ♣ Seek input at the beginning and when making changes
- ♣ Use solid, well understood *processes* for procurement, contracts, and communication
- ♣ Expect change and review your processes annually

Remember, This is Construction

- ♣ Customer/ client education is critical to manage expectations
- ♣ Rehab *always* has surprises, but so does new construction
- ♣ The best groundwork *minimizes* disruption from problem situations

The ORAL TRADITION of Weatherization :

- ♣ "He said, she said."
- ♣ "This is how we've always done it."
- ♣ "But you told me to."
- ♣ "Documents? We don't need no stinking documents!"
- ♣ "We don't have e-mail."



- ♣ Questions?
- ♣ Are you puzzled?
- ♣ Comments?
- ♣ Constructive criticism?
- ♣ Confusion?
- ♣ Whatever.

Thank You