

# Contractor & Client Partnerships

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- Communications
- Risk/uncertainty
- Cost of being a client
- Cost of contractor/Consultant
- Financial alignment
- Partnership/Alliance
- Business goals and teamwork

## Headhunter Shop Menu

Ordinary brains \$10 /lb

Engineer brains \$8 /lb

Doctor brains \$7 /lb

Accountant brains \$15 /lb

Consultant brains \$114 /lb

- Communication is the first key to an effective partnership with your consultant/contractor
  - Every service or need you have is unique to your business and application
  - Don't view contractor and consulting services as commodity items
  - The best contractor and consultants like to develop relationships with clients (not just do one project)
  - Long term it is easier and more cost effective to use firms that understand your goals, work needs and culture



- Typical information shared
  - Scope of work
  - Schedule
  - Contract terms
  
- Typical information not shared
  - Operations possibly impacted by work
  - Budget constraints
  - How does the work requested fit into the overall goals



- Pricing Evaluation
  - Large range in pricing is an indication of poor communication of services requested
  - Low pricing in some cases may indicate a lack of understanding of scope of work
  - The owner should clarify understanding of requested work before awarding if the pricing seems out of range



- Procurement/Sourcing/Supply Chain Management
  - Typically the hardest groups to get the proper information from
  - In many cases are accustomed to purchasing commodity items
  - May not understand the services being sought
  - May have unreasonable time frame to provide pricing
  - Good scopes of work or understanding of goals help price
  
- The more information the technical team can share the better response you will get from the bidders



- Project communication
  - Many times a single point of contact is best for the client
  - Frequent one-on-one calls with the project team
  - Vendor meetings to share processes
  - Provide feedback on project performance
  - If a project is not going as expected, early communication with the management team is best





- Risk and Uncertainty = Higher price
- Many owners want to transfer the risk to the contractor/consultant and this results in:
  - Contingencies added
  - Schedule added
  - Higher price
- Uncertainty
  - Access issues
  - Work restrictions
  - Lack of detailed scope of work



- Contract Risk
  - In some cases the owner will transfer the project risk to the consultant by:
    - No limit of liability
    - Limited site information
    - Owner not responsible for information provided
    - Contractor/consultant responsible for owners (clients) errors
  - Each of these items increase the cost of service due to risk mitigation
    - Additional due diligence required before work can begin
    - Additional insurance policies may be require
  - **A contractor/consultant that is willing to take on a lot of risk may not be in business if a real problem occurs**



- Services contracts are all unique
- Every client has “their” standards and processes to meet their business objectives
- All clients have an inherent cost to comply with their policies and procedures



- Typical cost
  - Insurance requirements
  - Submittals
  - Contract term compliance
- Unintended/Consequential cost
  - Vague/Incomplete scopes of work
  - Cancelling request for proposals after submittals received
  - Adding amendments
  - Custom billing requirements
  - Not following schedules
  - Excessive reporting/meeting requirements



- The incidental cost of servicing a client must be included in the pricing to provide the work
- Items that can reduce overall cost
  - Works scopes that take advantage of multiple sites/activities
  - Contract terms that are reasonable for the work to be done
  - Clear, concise scopes of work
  - Follow through with request for proposals
  - Timely issuance of work orders/notices to proceed
  - Timely processing and payment of invoices



- Hiring contractors/consultants have incidental cost
- Communicating and setting expectations will save you money
- Unintended cost of some contractors/consultants may include
  - Additional time by your staff to manage
  - Re-work
  - Billing issues
  - Warrantee issues



- Price/cost will always be a large driver in working with contractors/consultants
- Developing rates/fees that are equitable to all parties is the best thing for good service
- Working with a contractor/consultant that is losing money is not a good situation for either party and can result in
  - Cutting corners
  - Schedule slippage
  - Warrantee issues
  - Incomplete deliverable
  - Bankruptcy





- Long-term planning can help align financial goals and provide the best rates for services
  - Reduces risk of work shortfalls
  - Allows for planning of resource pools
  - Allows for bundling of services
  - May be able to group site work with other customers
  - Many firms will accept lower rates if the risk of the unknown backlog mitigated





- The Partnership/Alliance model is one of the best ways to reduce overall cost
- Benefits include:
  - Volume discounts based on spending
  - Dedicated staff from the contractor/consultant to meet quick turnaround needs
  - Pre-established pricing for routine services
  - Reduces the cost to service the client and savings is passed on in the form of lower rates
  - Increases contractor/consultant knowledge base of client facilities and procedures



- Once trust is gained, sharing overall business goals can provide great benefits to the client
  - Participate in annual or quarterly planning meetings
  - Understand the core business goals of the client
  - Can aid in helping with issues that may arise out of implementing the plan
  - Can help with cash flow requirements by scheduling work when most advantageous
  - Helps “milk run” services to provide cost savings



Questions?