

# For the Client

## Managing Change Orders

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Owners want “no change order” projects. At least, they don’t want projects with change orders that they have not initiated for their own advantage. And when change orders are requested that add time or cost to the project with no owner-perceived added value, the owner may be tempted to believe that someone—the design professional or the contractor—must be to blame.

But construction projects are not products, mass-produced in carefully controlled environments. Projects are unique and each project’s delivery environment is dynamic. For example, a project is uniquely defined by its program, site, and the regulatory, economic, and political context in which it is to be executed. It is further defined by the team assembled by the owner to plan, design, and construct the project and the procurement strategy the owner employs to assemble these resources. And even when a project is clearly defined and voluminously specified, technological innovations in systems, methods, and materials can introduce a degree of uncertainty equal in measure to anticipated benefits. Finally, a project is accomplished over a period of many months or years during which time the project environment can be expected to change in terms of product, material and labor availability and cost, regulatory requirements, economic conditions, and many other circumstances.

While some change during design and construction can be expected, too many changes can be severely disruptive and costly. Poorly timed or poorly thought-out changes increase the likelihood of mistakes and disputes. Further, during construction, these changes are outside the competitive bidding or negotiation process when the owner can

exert some measure of control over the price. After the commencement of construction, even relatively simple changes can radically alter other aspects of the work. Of course, some changes cannot be prevented. Reasonably unforeseeable subsurface conditions, changes in the availability of labor or materials, new government regulations, altered economic circumstances, extreme weather, and a host of other unexpected conditions can force changes to the project regardless of the diligence of design professionals and contractors. Reasonable practice requires that the contract documents incorporate mechanisms to accommodate change, not just to correct mistakes and oversights, but also to adapt to a dynamic project environment.

Change orders are an owner’s nightmare—unplanned costs and delays can add up to financial ruin. So the prudent owner looks for ways to keep change orders to a minimum and seeks to manage the change order process when changes are necessary or desirable.

- Be realistic—you won’t get through the project without change orders. Be realistic about the kinds of changes that can be expected and be realistic about the need for an appropriate contingency budget.
- Become informed about how to effectively manage change. One of the best ways to do this is to become thoroughly familiar with the standard contract forms published by the Engineers Joint Contract Documents Committee and the American Institute of Architects. Developed over time with the benefit of the experience of countless design professionals, owners, and contractors, these documents set out processes and procedures that clearly articulate the rights, responsibilities, and duties of the various parties.
- Invest in appropriate professional services. Saving money on project “soft costs”—planning, design, bidding or negotiation, and construction phase services—costs money in the long run. These services reduce uncertainty and, as a result, the frequency and severity of

change orders. And, during construction, the presence of each design discipline provides greater assurance that any changes made to the design, for whatever reason, will comply with applicable codes and sound design practice.

■ Exert control over the cost of change orders during the bidding or negotiation phase. Ask contractors to give you information about how they will price change orders. Ask for specifics about their mark-up for profit and overhead. Where appropriate, ask them to specify unit prices that will be used to price additional work.

■ Use a qualifications-based selection process rather than one solely based on price. More experienced, better-qualified contractors anticipate problems and produce projects with fewer costly delays and difficulties. Whenever possible, prequalify bidders.

■ Make sure to follow the contractually established changes procedure scrupulously. All changes other than minor changes or field orders, as defined in the contract documents, require a written modification to the construction contract in the form of a change order.

Ultimately, owners have to find the middle ground between a change order process that is too “tight” to timely allow for appropriate changes and fair adjustments to the contract and one that is so flexible that it fails to impose sufficient discipline on the contractor to actively mitigate the potential impact of changed conditions.

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