

Selecting a Contractor

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No matter how good the design or how well administered the contract for construction, a project can suffer from costly delays, extras, and disputes when a contractor is selected solely on the basis of price. A carefully chosen contractor, on the other hand, can help minimize problems inherent in the construction process.

To define an effective contractor selection process, the project owner must look at the scope and character of the work, the capabilities required of prospective contractors, the responsibilities allocated to the design and other consultants, and any externally imposed requirements on the award of construction contracts. While these factors may vary significantly from project to project, the steps required to align contractor selection with project requirements are well established.

Step 1. Identify and Rank the Project's Objectives

The owner needs to think about project priorities and make explicit choices. For example, is cost paramount? Is meeting a particular deadline crucial? How will the constructed facility be used and how does this affect project priorities? By addressing these issues at this stage, the owner will ensure that contractor selection decisions are aligned with project requirements.

Step 2. Identify and Analyze Probable Sources of Risk

The owner should think about possible problems, their consequences, and ways to avoid them. Responses during this problem-seeking step will inform development of the design, the overall procurement strategy, and the contractor selection criteria.

Step 3. Choose a Construction Procurement Strategy

The owner should now have sufficient information to decide on the most effective type of contract (e.g., fixed

price, cost plus), number of prime contracts, and whether the project should be phased in its execution.

Step 4. Develop Criteria for Contractor Selection

The owner is now in a position to establish selection criteria that fit the specific needs of the project. The following contractor attributes need to be considered:

- References
- Previous experience with similar projects, type of contract, geographic area, local labor environment, and local regulatory agencies
- Current and projected workload as a percentage of overall capacity
- Financial stability and credit rating
- Management processes, including safety, planning and scheduling methods, estimating and cost control techniques, and quality assurance
- Overall project management ability and techniques
- Responsiveness and interest in the project.

Step 5. Establish Milestones for Contractor Selection

Now the owner should formulate a time line for collecting and analyzing the information provided by the candidates. At this point, a schedule for the tasks required to reach contract award can be established.

Step 6. Put Together a Tentative List of Contractors

The list of potential contractors should not be too long because the owner will need to collect information from each entity on the list. However, the list should include enough viable candidates to make the procurement process competitive.

Step 7. Prequalify Contractors

By applying the previously determined selection criteria, the owner now can weed out candidates that might not be able to complete the work satisfactorily.

The owner will want to obtain information through personal interviews, written statements of qualifications, or a combination of the two. Questions should be

carefully constructed to elicit information that is relevant, valid, and comparable. During this process, the owner should take advantage of the opportunity to preview the contractor's performance by judging how well requests for information are handled. Moreover, no contractor should be prequalified without a visit to the home office and one or more job sites.

Once the owner has analyzed the information, those contractors that are not likely to be a good fit can be eliminated. From the remaining candidates, the owner should then choose those that seem the best suited and invite them to submit a proposal.

Step 8. Receive and Evaluate Proposals

Bid documents should be clear and unambiguous so that all bidders rely on the same information and submit responsive bids. Further, the organization of the document should facilitate final selection of the contractor. Based on the previously identified project priorities and criteria for contractor selection, the owner may preassign a particular priority or weight to bid items to make comparison of bids quick and fair.

Step 9. Award the Contract

Proper planning and preparation should make it relatively simple now to select the contractor. A pre-award conference can be arranged to resolve any lingering questions or concerns.

To some owners, the above process may seem unnecessarily cumbersome, but the rewards are considerable. Case studies of projects that have failed—projects characterized by costly disputes and disappointed owners—show that it is well worth the time and effort to follow these steps to align contractor selection with project requirements and priorities.

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