

## Contractor Selection

As companies grow many will be faced with expanding their present facilities or even building new ones to meet their particular needs. To help oversee this process, they will need to hire the expertise of a general contractor. Some companies rely upon the guidance of an architect to pre-qualify and then select a contractor based solely upon the price; when, in reality, there are many factors to consider beyond just the low price bid.

Today's general contractors enter the building cycle much earlier in the project development stage, bringing with them a wealth of pre-construction services. This expertise benefits both the owner as well as the architect in terms of overall project scope and costs. For example, it is the contractors, not the architects, who are responsible for the purchase of construction materials and who contract with subcontractors, so they can provide real cost information and suggestions for new approaches to the "build-ability" of the project during the development phase. What owners are realizing is that the lowest price is not necessarily the best price. A contractor, who provides value engineering and project life cycle cost analysis as part of their pre-construction services, is in a position to offer alternate products and methods of construction during the conceptual phase of the project rather than after the finalization of the drawings. Changes after the finalization of drawings almost always equal more dollars spent.

**So, how does an owner choose a general contractor?** Owners should take a look at their big picture goals and then from that perspective find out which contractor offers the services that best fit the needs of their project. We all know of instances in which contractor selection has led to adversarial relationships during the course of construction. A lot of this has to do with the ability to predict the cost and to properly manage and bring projects in at that cost.

We are not talking about public bid work where the project must go to the lowest bidder, but private work where the selection can go to the most *qualified* bidder. In private work, when selecting a contractor, a great approach is to think in terms of assembling the best **team** at the onset or as the project develops. Some might refer to this as a partnering approach. A team works together for the benefit of the owner; this way, everyone wins.

Without question, a project will cost a specific sum of money and it is the responsibility of the contractor to manage the budget but this sum is unknown at the beginning of the project. For example, say a project is projected to cost \$1 million dollars. First, not all contractors have the same management skills, human resource pools or relationships with subcontractors, vendors and suppliers, not to mention capitalization. Second, there are many unknowns over the course of a project, such as impact of weather, hidden soil conditions, etc. Given these variables, the project that is projected to cost \$1 million may come in for more, or less, depending upon what happens during any phase of the construction process.

From this perspective, owners assembling a team might consider a “Cost-Plus” approach. In other words, the owner selects the best qualified contractor that can assist them and the architect in making the most cost effective and appropriate decisions. They can then contract with their selected general contractor based on a fixed fee for the work. With an open book process where all bids can be reviewed, owners can potentially save a substantial sum of money in the long run, while getting a building that better fits their needs.

The traditional strategy of selecting the lowest bidder fosters an atmosphere of developing the best legal posture while the project participant looks for ways to maximize their individual profits. When this happens, the owner loses and projects tend to have major cost overruns. In a team approach, the OWNER’S problem becomes the CONTRACTOR’S problem. A general contractor under the team approach helps to find the best solution for the project, not just for themselves, and everyone comes out ahead, especially the project.

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