

## Change Order Management

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Managing Change Orders begins with understanding that when there are changes to the work during construction it often disrupts production and schedule and seldom when paid for the changes does it seldom cover the actual costs and disruption. Most designers and owners consider COs a bad thing and too often blame the contractor for initiating the change when it is a result of changed conditions, the owner or designer changing their mind about some detail or the owner adding something to the project. Contractors are often accused on going after COs they are not entitled to, but my experience is that is the exception, not the rule. What does happen is a poorly managed project can result in cost overruns that an unscrupulous contractor may attempt to be paid for. This exception reflects poorly on the entire industry.

It is fair to say that contractors may also consider COs a bad thing for a number of reasons, not the least of which is that research indicates that overall performance is better on jobs with fewer COs than those with many. Obviously if there is a changed conditions or the owner adds work a contractor expects to be paid for it, however when this happens too often the cumulative production and schedule disruptions can get out of hand and even if costs for both are included in the COs the cumulative impact is most often not because it is almost impossible to calculate in advance and is actually unknown during the early COs. A poorly designed project or incomplete design at initial pricing will almost always result in multiple COs—a condition that may be blamed on the contractor and not the designer disrupting the relationship with the owner.

In my experienced projects with hundreds, sometimes thousands of COs consistently loss money and in a number of cases actually put the contractor out of business. In most cases as the number of COs mount it becomes harder and harder to negotiate the price and get them approved. Multiple COs are clearly not advantageous, therefore fewer is better and if that is the case then the enlighten contractor actually prefers that the reasons for them do not occur nor if they do that the cause not be blamed on them. In reality the cause of most COs is actually outside the influence of the contractor and there are few the contractor can prevent.

This does not mean that a contractor does not expect to compensate for work not included in the original contract. What it does mean is that the enlightened contractor knows in advance that multiple COs are not desirable and if this is made clear to designers and owners in advance their expectations can become more realistic and they will be more prepared to be made to understand the real cause of each CO as it develops. The contractor needs to be proactive in this regard which begins before construction is underway. It starts with having a company-wide Change Order Policy that is widely circulated to owners, designers and field and office employees. A sample plan is provided which is self-explanatory. It is recommended that every Contractor of the Future have such a policy which can be developed from the sample or developed internally. This facilitates the designer and owner understand how the process works and that the contractor's preference is to not have a lot of COs. It creates realistic owner expectations in advance which in itself assists in explaining cause as they develop. The sample policy below is a guide that can be customized as each see fit.