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Job Order Contracting An Alternative Construction Delivery Method

“The Art of Thinking
Outside the Box”

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Delivering Solutions, Building Relationships.

Job Order Contracting—An Alternative Construction Delivery Method

“The Art of Thinking Outside the Box”

It's late Friday afternoon, you're looking forward to a long holiday weekend, watching your daughter's softball game and then having family over for a barbeque. It's supposed to be warm and sunny for the next few days. You can't wait to get home and relax; it's been a grueling seven weeks, completing your latest major renovation project. Only a few finishing touches and you will be ready for the final walk through.

A large dark and dreary cloud then pops out of nowhere and thoughts of well deserved time off with the family are shattered when the contractor you have been working with calls and notifies you that the circuit panel that was specified, ordered and ready for installation is insufficient for the required power to run the new and existing equipment simultaneously. Further a new panel won't be able to be delivered for two weeks, he won't be able to have his crew back for another three and it will cost an additional \$10,000.00, well past the required project completion date and several thousand dollars over your maximum budget. Not only can't the electrical contractor return for several weeks, you now have to coordinate a new schedule with the carpentry and painting contractors, hoping they will be able to rearrange their project schedule to accommodate the new time frame. Also, don't forget, you have to inform your supervisor that the facility won't be available for the ribbon cutting ceremony.

“In the business world, the rearview mirror is always clearer than the windshield.”

Warren Buffett

Construction and Facilities Management: Exciting and challenging professions; reviewing design specifications, managing multiple trades, preparing schedules, adhering to budgets and time-lines; the reward of seeing a project completed and your customer happy. This could be one description but often it can be described as; extremely arduous, tedious, mentally draining and frustrating; having to deal with design specifications that in the end don't quite meet your needs, working with non-performing contractors, modifying a schedule for the third time, having to explain budget overruns and change orders and then having to explain to your customer why their facility won't be completed when you promised, due to the multiple punch list items still outstanding.

Most likely you've *never* experienced this type of situation. Who's to blame: the contractor, the designer, your employer, you? Here's the challenge; all of the above, and none of the above. It is the System and Processes which are the key deficiencies that foster these results and it's not limited to one segment or industry but transgresses across higher education facilities, K-12 districts, municipal and federal agencies.

“Bureaucracy defends the status quo long past the time when the quo has lost its status.”

Laurence J. Peter

“It's the way we've always done it”, “We have to put everything out for bid”, and “Low bid is how we do it”. Phrases heard throughout facility and procurement departments across the country. This status quo way of thinking is beginning to be challenged by individuals and organizations that are willing to “think outside the box” and look for alternative delivery methods that help them become the best stewards of the facilities they are entrusted to maintain.

Change in thinking and acceptance of new ways of doing things starts with the individual. It starts with you. It is individuals that have the responsibility, the means and the ability to influence change within an organization. Seldom does a group or an organization embrace new thinking out of the blue—instead it starts with an individual realizing that repeating the past and hoping for a new outcome is not the correct path. Change takes courage, it takes thick skin and in many cases it is a last resort of a business or organization.

Are there better construction delivery ‘mouse traps’ available? Yes, there are other methods available that may suite your needs. The question is: Are you willing to think outside the proverbial box and campaign for the ability to try these methods? Changing the stress around your areas of

responsibility requires change to the status quo. While this change might have perceived risks, in the long term you are developing options that enable you to get more done through new mechanisms and relationships. Perceived risks come with change, but the reality is, maintaining the status quo with similar results is by far the greater risk.

Design-bid-build has been the mainstay delivery method of choice for generations. An owner decides they have a project to complete. Depending on the skills of in-house staff they may use a third party architectural and engineering firm to complete plans and specifications. Once the plans are completed (this could be several weeks to months) the owner prepares a solicitation based on their understanding of them, hoping to obtain a variety of competitive responses and then award the project to the lowest bidder.

Without a thorough understanding of the owner's facility, the bidders base their responses on the owner's solicitation, plans and specifications. Owners typically allow a period of time for bidders' questions and clarifications; but can the questions really be considered high quality if they are only based on a written scope and plans and specifications that may be too detailed or not detailed enough? Once the owner awards a contract to the lowest bidder, the challenges begin; challenges not only for the owner but the contractor and the designer.

Design-Build has seen a tremendous surge in popularity recently in the United States. The owner now has a mechanism that places much of the burden and responsibility of both the design and construction on the contractor and they are left to basically oversee the project. Although this is a good delivery method that helps foster teamwork and collaboration, it is mainly for new construction projects. Some risk is taken by the owner in that the designer may not be as impartial or objective when considering the best interest of the owner.

These and other delivery methods are available to the facility owner; Construction Manager at Risk, Cost Plus, Unit Price, and others, all with advantages and disadvantages but many with one key ingredient absent—collaboration.

Collaboration and working together as a team for a common result; probably not a definition likely written after the word, *construction*.

If you have the strength, ability and nerve to think outside the box and say "Why Not!" you might discover the almost utopian construction and facilities support world of Job Order Contracting (JOC). This construction delivery method was developed and designed to be an alternative delivery method, one in which an owner and a contractor work together toward a common goal: the satisfactory completion of each delivery order, on-time, within a pre-determined budget, without change orders or punch lists.

JOC will not be a panacea or silver bullet for all your construction needs and demands. Instead, when reviewing your base and back log of projects you will realize there are different levels and types of demands. By segmenting and drilling down to match them with the right solutions and partners—you are applying the right tools for the appropriate needs (instead of holding only a hammer and everything looks like a nail, mentality).

Many may argue that this form of camaraderie is not possible in construction and that the owner's sole purpose is to beat up and hound a contractor until a project is complete and the sole purpose of the contractor is to find as many problems with the original design and solicitation so they can continually issue change orders and find the cheapest way to complete a project.

A successful Job Order Contract can be obtained through mutual respect and the understanding that there are common goals for all parties; goals that create a winning situation for all.

How would your daily life change if you were able to sit down and talk with a contractor? I'm sure you talk with them every day, but do you really have the opportunity to talk and discuss how

"Coming together is a beginning. Keeping together is progress. Working together is success."

Henry Ford

"There's an alternative. There's always a third way, and it's not a combination of the other two ways. It's a different way."

David Carradine

“Trust men and they will be true to you; treat them greatly, and they will show themselves great.”

Ralph Waldo Emerson

“I have found no greater satisfaction than achieving success through honest dealing and strict adherence to the view that, for you to gain, those you deal with should gain as well.”

Alan Greenspan

a project should flow prior to it commencing? Under your current delivery method are you able to walk a project with a contractor and their subcontractors to identify the true needs of your facility and how to develop a plan to safely complete a project on time and within budget. Have you had the opportunity to discuss this with them prior to issuing a delivery order?

A Job Order Contract is an open ended indefinite delivery, indefinite quantity contract that provides no guarantee of work for the contractor but does provide a mechanism for an owner to have on-call, a company that is willing to meet the challenges of completing projects through collaboration and trust. By performing above the owner’s expectations, meeting deadlines, providing quality work in a safe environment, a JOC contractor knows that additional delivery orders will likely be issued. Since each successive delivery order is subject to the owners satisfaction and not the ability to low bid the project and hope for change orders, a JOC contractor is compelled to perform and work with the owner to fully understand their needs and the needs of each project so that they are completed on time, with the highest quality and within the pre-established budget.

A unique characteristic of Job Order Contracting is that once the written scope of work is approved by the owner and they agree to the pricing, which is based on a coefficient (identified at time of bid award) and a unit price book, the resulting price becomes a firm, fixed lump sum price. Imagine, knowing what the cost of the project is going to be prior to issuing a delivery order.

Since Job Order Contracting is ‘utopian like’, are you guaranteed zero change orders? No. One would be taking a tremendous risk to guarantee that changes won’t occur, but through JOC the philosophy of “change orders equal profit” is eliminated. Contractor requested change orders cost the contractor money, since they’ve provided a lump sum firm fixed price to the owner and any costs incurred by them from their subcontractors would be a direct write down on their profit for that particular project. Unforeseen circumstances and owner generated change orders do exist, but through JOC, the calculation of the cost of the change order is based on the unit price book and coefficient, not an arbitrary number from the contractor and a mark up. JOC is about working together and communicating, not finding ways to decrease or increase one’s profits.

It’s late Friday afternoon, you’re looking forward to a long holiday weekend, watching your daughter’s softball game and then having family over for a barbeque. It’s supposed to be warm and sunny for the next three days. You can’t wait to get home and relax; it’s been a grueling seven weeks, completing your latest major renovation project. Only a few finishing touches and you will be ready for the final walk through. As you sit reflecting, you realize things may have been different if you hadn’t had the ability to walk the project with your JOC Contractor and several key subcontractors and have them recognize that the electrical panel you were planning to use wasn’t sufficient to run the new and existing equipment simultaneously. Yes, you did have to increase your projected budget due to the increased cost of the new panel, but it wasn’t a surprise at the end of the project and your supervisor said it was easier to get additional funds upfront opposed to the 11th hour. As you are about to call the end user you know you can comfortably inform them that the facility will be completed on-time and ready for the ribbon cutting ceremony. You’ve conducted several pre-completion walk-throughs and everything is going smoothly. You’re proud of the project, the hard work you and the contractor have put in, and the fact that it will be completed on-time and within the pre-approved budget.

Job Order Contracting, an alternative construction delivery method that is available to those who have mastered the “Art of Thinking Outside the Box”.

