

By Stephen Wilders

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The simplest and clearest change order policy basically states, "No additional work will be done without a signed, billable change order."

However, in the real world it's not always possible to adhere to such a strict policy. An acceptable back-up position is needed, namely, "Work will begin immediately with the understanding we will receive a billable change order within three days, otherwise work will stop."

Communicating this policy is the next step. Foremen and superintendents must be aware of the policy, understand it, have a copy of it, and believe management will back them up. They need to have this guide to help them deal with daily pressure from the general contractor to work on something that hasn't been approved.

To avoid getting caught in a bind, have a systematic method of recording and following up on outstanding price quotes. All departments of the company must be involved in developing agreed-upon procedures.

The system should generate reports on the status of outstanding price quotes by job, and indicate how long they have been outstanding.

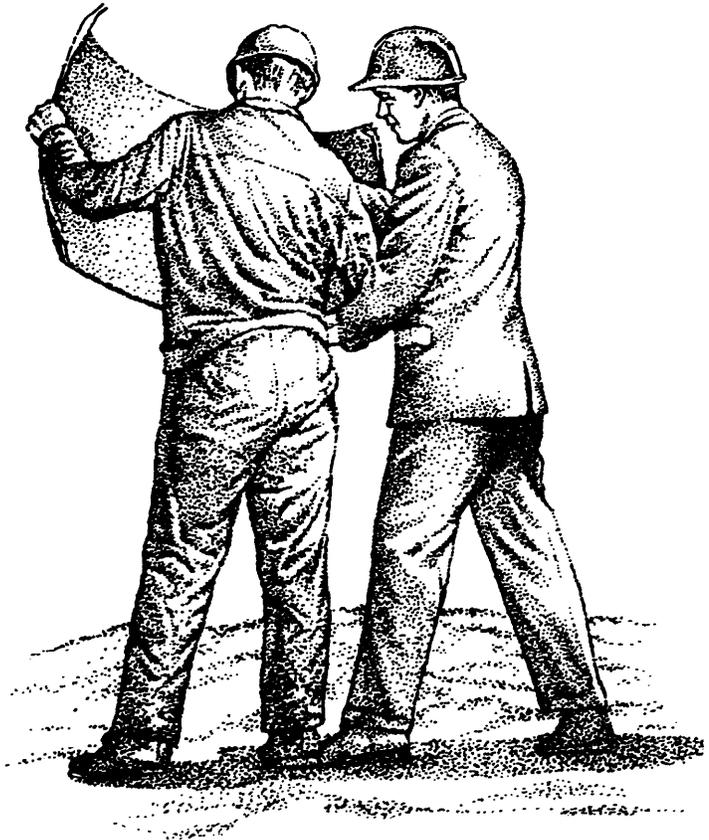
Outstanding quotes must be made a priority. Often, quotes take too long to process in-house, and when submitted for approval they are forgotten. Outstanding quotes must be reviewed at least monthly.

The person in charge of the job should also be responsible for getting any change order approved.

The pricing of change orders is a major item affecting overall job costs. Many times, prices and production rates used for change orders are the same ones used to obtain the job. This

Have a Policy, for a Change

A written change order policy, backed by management and understood by the field, is essential.



To handle change orders, the author suggests this policy: "Work will begin immediately with the understanding we will receive a billable change order within three days, otherwise work will stop."

is a major mistake because factors and conditions affecting changes are much different than those related to straightforward production work.

Factors such as set-up time, returning to an area, worker morale, general job flow, and accessibility, all impact production rates for any change. Hence, to compensate for these factors, lower production rates must be used in change order pricing. Allowances for set-up time should be included, as well

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as fees for consumables.

Implement change order policies consistently. Inform general contractors of these policies, back up field personnel when they are pressed to act differently, and ensure standards are maintained.

Without visible support from management, and understanding by the field, all the written policies and procedures in the world won't solve the problem of change orders. 