



Contract Writing for Young PMs

Part 2

By Kate Stanton, P.E.

This article is the second in a series from CASE to help structural engineering firms become more profitable by using contracts effectively, focusing on how a young project manager can write and use contracts to achieve more successful projects.

In the hands of a young project manager (or any manager), a well-written contract is a valuable resource. A well-written contract can reduce uncertainties in scope, perform double-duty as a project work plan (including manpower breakdowns if scope is itemized into different tasks), start communications with the client off on a good path, and make identification of additional services-worthy items more clear. Conversely, a poorly written contract can result in wasted time, effort, and profits while playing the “is this or isn’t this in my scope” game and potentially result in an unhappy client who isn’t getting what he/she paid (or *thought* he/she paid) for. With this in mind, let’s take a look at how to write and use contracts to gain the most benefit.

Use Established Contract Resources

In the first article of this series (December 2014), standard contracts, including those published by the American Institute of Architects (AIA) and the Council of American Structural Engineers (CASE) were discussed. Use them! These gems contain a wealth of industry-accepted, lawyer-vetted clauses. They have been written to cover all of the bases. (Seriously, if left on your own, would you have thought to consider all sixty-six scope of services items that are listed in CASE Document 6, *Commentary on AIA Document C401 ‘Standard Form of Agreement Between Architect and Consultant?’* Doubtful!) Moreover, your clients are likely to be familiar with these documents and may be more inclined to accept the standard contract terms without a fuss. Keep in mind, however, that AIA documents are written with terms that are favorable to architects, sometimes at the detriment of engineers. Modifications of the standard contract may be necessary.

If your firm has contract templates that have been developed in-house, these will likely

Words of Wisdom for Young Engineers Writing Contracts

As a young engineer, you have probably worked on projects where you were paired with other young clients/consultants (since we tend to work on jobs that fit our limited experience levels). Rather than stumbling along with a “deaf leading the blind” type of relationship, I like to rely on a well-written contract to clearly lay out expectations; and I use my contract throughout the course of the project to stay aligned with my project scope.

– Kate Stanton, Project Manager with Schaefer

I learned the hard way about the importance of writing a solid contract while working on a renovation project in which I did not write the contract or study it closely prior to beginning the work. Our contract vaguely stated that we would “update our drawings as required during the course of the project”. There were multiple changes by our client and existing conditions discoveries during construction that required design and drawing changes. The majority of these changes would have been worthy of additional services had the original contract language allowed me to pursue those.

– Travis McCoy, Project Manager with Schaefer

When I was president of the firm, I wanted project managers that impressed the client so much that when the client had another project, he/she would call that project manager directly instead of me. If the project manager had reached this level of trust with his/her clients and developed other business skills such as preparing proposals and contracts, they were the ones promoted to more responsible positions in the firm.

– Steve Schaefer, Founder and Chairman of Schaefer

address issues unique to your firm. The author’s firm’s contract database includes pre-written appendices to pick and choose from, a veritable list of “I-got-burnt-by-that-once-and-I-won’t-get-burnt-again” clauses developed over years of working with repeat clients and on repeat project types. As a young project manager, leaning on in-house contract resources is a great way to write contracts that align with your company’s level of service and that protect your company’s best interests.

Be as Specific as Possible with Your Scope

Breaking the project down into an itemized list of smaller tasks has many benefits. The list will provide clarity to both you and your client regarding what has been included in the scope, making it easier to identify items that have inadvertently been left off. Taking this scope list and estimating the time required for each task is a good way to calculate the minimum fee for negotiating with your client.

This is much more accurate than looking at the project as a whole and throwing a

number out. Divide and conquer! Itemizing also comes in handy as the list can perform double-duty as a project work plan. With tasks and time requirements clearly stated at the onset of project work, it will be easier to stay on schedule and within budget during the project.

Establishing the basis of your contract is also important. Include a list of all drawings (and issue dates) and correspondence used when determining contract scope and fee. Follow up on any verbal correspondence with email documentation that can be added to the project file. This way, when a pre-fabricated awning shown on the basis-of-scope/fee drawings develops into a compound-curved canopy that cantilevers over a driveway, you will be able to address this scope change with your client and discuss additional services.

State Assumptions, Limitations, and Exclusions

In the land of unicorns and healthy bacon, our clients give us all of the information that

we need upfront and project changes don't happen. Unfortunately, this land does not exist. As our industry continues to push the envelope on expedited project schedules and design-build collaborations, we are often faced with providing a contract based on limited or incomplete information. Without knowing what the project will actually evolve into, writing an appropriate contract scope and calculating an adequate project fee is a daunting task and warrants careful communication with your client. If you are a sub-consultant, ask him/her how they are handling project uncertainties when developing their contract with their client, and tell them that the uncertainties (if not explicitly excluded) force you into a higher fee to cover the costs of potential unknowns. Solicit feedback from a more senior project manager in your office – you will want to make sure that your contract handles this situation in the same manner that similar past projects have, and that your contract doesn't make your firm susceptible to undesirable risks.

Writing contracts for renovation and expansion projects can also be tricky. Your scope should state any assumptions (for example, "fee is based on having existing drawings"), limitations ("field investigation of

existing structure does not include material strength testing" or "unforeseen foundation conditions may require additional engineering services beyond those that you have requested"), and exclusions ("fee does not include design of temporary shoring and/or lateral bracing required during renovation"). As is often the case, stating what *is not* in your scope is just as important as stating what *is* in your scope. Of course, you will have to strike a balance between an exhaustive list of exclusions against the client's perception that you are backing them into a corner and will inundate them later with additional service requests.

Reap the Benefits of a Well-Written Contract

Let your well-written contract benefit you throughout the course of the project. Now that you've written a rock-solid contract, be sure to use it to your advantage. Using a contract's itemized task breakdown as your project work plan was mentioned previously, but the benefits of a well-written contract do not end there.

When it acts as the first formal communication between you and your client, a

well-written contract can establish you as a project manager with solid communication skills who understands both the priorities of the project and the value that you bring to the project team. Use the contract scope and fee during a kick-off meeting with other in-house engineers and detailers to divvy out project responsibilities and budgets. The contract will also become a valuable reference when scope creep and project changes threaten to derail project schedule and profits – you can point to the well-written project scope and more easily argue your case for additional time to complete work and/or additional service fees.

All in all, a well-written contract can be a valuable tool to increase project efficiencies, client satisfaction, and overall project success. Young project managers who approach contract writing with the same care and consideration they allot to their engineering calculations will reap the benefits. ■

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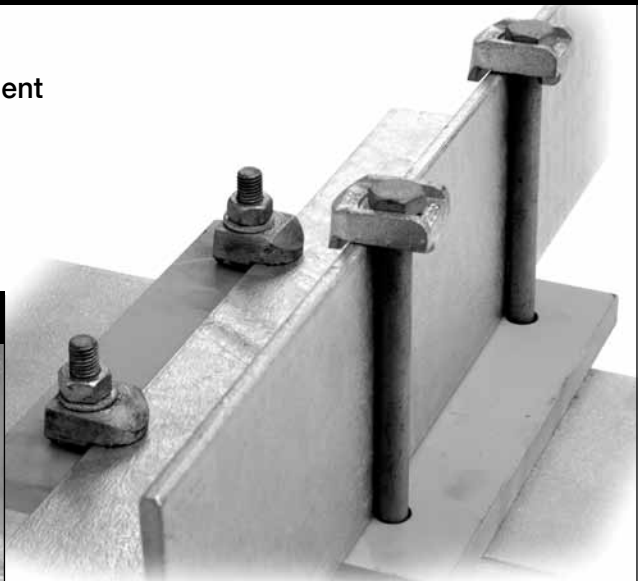
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