

RESEARCH: GETTING TO KNOW THE OWNER***Executive Summary***

At the 2005 PACE Roundtable a recurring theme within the healthcare discussions was the impact of the healthcare owners upon the contractors. Industry members lamented the fact that “owner” usually consists of some combination of the board of directors, head nurses, facilities management, maintenance, and head doctors, just to name a few. The critical issues research will address this problem. To collect data, surveys were sent out to various general contractors and construction managers asking them a variety of questions. The survey consisted of questions about the four typical entities of an owner: president, chief financial officer, end user, and operator. Additional questions regarding the complex nature of the relationships between the entities and how this can affect the contractor are asked as well. The outcome of the research was that each owner entity is complex and must be dealt with differently. Some methods of dealing with the different entities are to build a solid relationship with the owner at the beginning of the project, get the owner groups involved early on, and foster a sense of honesty among all project participants. In the end, the burden is on the contractor to make sure that the owner is handled properly.

Background

At the 2005 PACE Roundtable a recurring theme within the healthcare discussions was the impact of the healthcare owners upon the contractors. Industry members lamented the fact that “owner” usually consists of some combination of the board of directors, head nurses, facilities management, maintenance, and head doctors, just to name a few. Numerous communication problems arise because of this, slowing down construction and causing work stoppages. The critical issues research will address this problem.

Because the topic of research is somewhat new the goal is not to find some solution to the problem; that will be left to upcoming researchers. Instead, the main objective of this research is to develop a simple guide to learn how to address the different entities of the owner and how to better understand and deal with them.

The end result of this research will be a description of the different entities in an owner, describing what characterizes them and what is important to them. Additionally, an outcome of the research will be recommendations for dealing with the intricacies of having multiple entities as an owner.

To achieve these objectives contractors will be surveyed. The data collection will come from online surveys. The survey will consist of questions about the four typical entities of an owner: president, chief financial officer, end user, and operator. Additional questions regarding the complex nature of the relationships between the entities and how this can affect the contractor will be asked as well.

The following two pages contain the survey that was sent out.

***RESEARCH SURVEY:
GETTING TO KNOW THE “OWNER”***

The relationship between contractor and owner is critical to the success of any construction project. This relationship can become even more strained due to the fact that the “owner” is rarely ever one person. The goal of this survey is to learn how to address the different entities of the owner and how to better understand and deal with them.

For this survey I am assuming that the 4 major entities of an owner usually are: president, chief financial officer, end user, maintenance/operators.

Please write as much or as little as you want. Responses can be based on past or present projects. Thank you in advance for taking the time out of you busy schedule to participate in this research.

What is important to the President? What does she/he like and dislike?

What is the best way to get to know and communicate with the President?

What is important to the Chief Financial Officer? What does she/he like and dislike?

What is the best way to get to know and communicate with the Chief Financial Officer?

What is important to the End User? What does she/he like and dislike?

What is the best way to get to know and communicate with the End User?

What is important to the Operator? What does she/he like and dislike?

What is the best way to get to know and communicate with the Operator?

How can it be beneficial to have various entities to the owner? Can this be used to your Advantage?

How can differences of opinion between the entities create problems for the project?

What other complexities are caused by having multiple entities for an owner?

How often do you have to play peacekeeper between the entities?

Never Rarely Occasionally Often Very Often

Who is usually the easiest to get on your side? Why?

Who is usually the hardest to get on your side? Why?

Are there other entities regularly involved in the business decisions of the project aside from these 4?

Any other comments?

Your Name:

Your Position:

Your Company:

Thank you for participating in this survey. Please click the submit via email button or print out and fax response to (814) 863-4789 Attention: Abe Vogel.

Summary of Results

After analyzing the surveys returned by the industry members, the results of each question are summarized below:

What is important to the President? What does she/he like and dislike?

- President just wants to be satisfied with the project
- President looks at macro big picture issues
- Concerned about money and the schedule

What is the best way to get to know and communicate with the President?

- Face to face interaction is the only way
- Must be verbal communication

What is important to the Chief Financial Officer? What does she/he like and dislike?

- Cash flow on project is most important
- Slightly more specific interests than president

What is the best way to get to know and communicate with the Chief Financial Officer?

- Face to face interaction is preferred
- Monthly reports good way of communicating money status

What is important to the End User? What does she/he like and dislike?

- Quality of building, does it function properly
- End user wants to be involved in design

What is the best way to get to know and communicate with the End User?

- More involved at project level; job site meetings
- Communication acceptable over phone/email, face to face better

What is important to the Operator? What does she/he like and dislike?

- Performance of building, O&M manuals most important

What is the best way to get to know and communicate with the Operator?

- Involved on project level; jobsite meetings

How can it be beneficial to have various entities to the owner? Can this be used to your advantage?

- There are more eyes to see things and catch mistakes
- Creates more accountability

How can differences of opinion between the entities create problems for the project?

- Creates schedule issues with delays and slow downs
- So many players create problems in direction of project
- Everybody wants something different which causes conflicts

What other complexities are caused by having multiple entities for an owner?

- There is too much communication, too many meetings
- Hard to figure out who is in charge, who to involve in certain issues

How often do you have to play peacekeeper between the entities?

- 0% - Never
- 27% - Rarely
- 55% - Occasionally
- 18% - Often
- 0% - Very often

Who is usually the easiest to get on your side? Why?

- Many times end user because no contractual arrangement between them and CM
- Operator because values usually align with contractors; level of trust there

Who is usually the hardest to get on your side? Why?

- President and CFO because they tend to have a short term view
- Lack of construction experience dictates who is hardest to get on your side

Are there other entities regularly involved in the business decisions of the project aside from these 4?

- Depends on type of project
- Owner's representative, which causes different complexities

Any other comments?

- Every project is different
- Assessment of the situation is key

Recommendation for Getting to Know the Owner

Getting to know the owner is all about trust, and it has to start at the top. The project executive and/or the project manager need to develop a rapport with the president that will continue throughout the life of the project. This can only be done with a face to face meeting before the project has even started. The purpose of the meeting is team building. The goal for the contractor is to create a partnership with the president; so that the president understands that the contractor has his/her best interests at heart, and that they both have the same goals for the project. For this reason it is vital that the meeting is in person. It is nearly impossible to create a bond through email or telephone. The non-verbal signals from the contractor will play an important role in how much trust is created. Once the project is underway, less communication is necessary, but effort still needs to be made to maintain the relationship. Meetings occasionally should be had, especially when the project is not running as smoothly as anticipated. When the project is in turmoil the president will be hearing about the problems through the grapevine of the people underneath him/her. Information and subtleties can get lost through this chain because it is human nature to deflect blame for problems to try to look good for your superior. Meeting directly with the president will eliminate these problems, and the project can be talked about directly instead of through various channels. If a solid, honest relationship is established with the president there will be a trickle-down effect throughout the rest of the “owner” groups.

Another key to successfully dealing with the owner is early involvement. The end user and the operator should be brought on boards as soon as possible. As a result they will feel more like the project is “theirs” and not like they have to guard their backs from the contractor. Early involvement will also reduce the chances of late changes on the project, which will save everyone money. Handling of the end user and the operator does not necessarily have to be done with meetings with the project manager and the project executive, they can be dealt with by the assistant project managers and the project engineers to eliminate meeting overload on the project manager.

A final important piece is honesty. The contractor should take the lead in fostering an honest environment among all the project participants. The contractor needs to take the initiative to show their honesty and have the job site open to the owners. This will make

sure that the owner groups with little construction expertise feel more comfortable about the project. Additionally, this will avoid them thinking that the contractor is trying to hide something from them, or pull the wool over their eyes.

Conclusion

Ultimately, the onus falls on the contractor. Managing the owners is almost as important as managing the subcontractors. Therefore, the contractor should be as proactive with handling the owners as they are with the subs. At the very beginning of the project, before construction has even started, the contractor should assess the situation. Because each project is different each “owner” is different, and every new project will have to be administered differently. The contractor should plan on how they are going to tackle the issue of managing the owner. But in the end it will come down to time and money. If the project is delivered on time and on budget, the owners will be happy and very little management will be needed. However, more than likely not everything will run smoothly on every project, and the contractor needs to understand the intricacies of the owner and how to deal with them.