



# Contractor Prequalification

 CHECKLIST

## Introduction

When staffing capital construction projects, it's critical to hire contractors who have the experience, capabilities, staff, and availability to complete the work safely and at the quality level you expect. Insight into a contractor's capabilities and past performance becomes even more critical on large projects. Safety incidents or contractor defaults open owners and builders up to expensive claims. They may also introduce new layers of interdependent safety, financial, and quality risks that can derail project timelines and erase profit margins.

That's why hiring partners often develop a prequalification process for evaluating contractors. The process typically involves collecting a large amount of information about the contractor's past performance using a prequalification form.

Here we cover the pros and cons of using a prequalification checklist. We also introduce an alternative approach, Partner Elevation. Read on to learn about the following:

- ▶ What is a contractor prequalification form? 3
- ▶ When contractor prequalification falls short 3
- ▶ Partner Elevation: A shift from contractor prequalification 4
- ▶ Checklists: Contractor information to collect for Partner Elevation 5
  - Ⓣ *Sample Safety Prequalification Form* 6
  - Ⓣ *Sample Finance Prequalification Form* 6
- ▶ Best Practices For Collecting Contracting Partner Information 8
- ▶ Related Resources 9

## What is a contractor prequalification form?

The traditional approach to risk management is perfunctory prequalification. This static assessment considers a contractor's risk based on lagging risk indicators, collected and verified through a contractor prequalification form the owner or builder uses to collect bids on work.

However, this type of prequalification provides a false sense of security because it looks in the rear-view mirror. Prequalification fails to differentiate between truly great partners and those who are simply lucky.

## When contractor prequalification falls short

A small business's financial viability can change rapidly as they take on larger projects. One job may be all it takes to create an undue situation. Sole reliance on historical data—such as Experience Modification Rating (EMR) and Days Away, Restricted or Transferred (DART)—penalizes small partners because they can't absorb an adverse event. To truly assess a contractor's risk profile, hiring partners need dynamic insight into their partners' capacity at each project phase.

Even if they effectively assess partners upfront, the decision to hire them is often based on other factors. Work is not awarded to the safest partner, but the one with the lowest bid, the right capabilities, specific availability, or a relationship higher up in the firm.

The end result of the prequalification model is a lot of going through the motions without actually mitigating your risk.

## ➤ Partner Elevation: A shift from contractor prequalification

Partner Elevation is a new movement among leading construction firms and asset owners. Its core tenet is that the path to success is to actively collaborate with contracting partners to boost their capabilities for delivering great work.

It's a fundamental shift in mindset: From up-front screening to collaborative, dynamic mitigation of risk.

THEN	NOW
<p style="text-align: center;"><b>Contractor Qualification</b></p> <p style="text-align: center;">Assume up-front vetting alone will mitigate the safety, financial, quality and sustainability risks that make or break projects</p>	<p style="text-align: center;"><b>Partner Elevation</b></p> <p style="text-align: center;">Dynamically collaborate with partners—before, during, and after projects—to mitigate risks and ensure great outcomes</p>

Partner Elevation allows organizations to meet any partner wherever they are in their risk-mitigation journey and elevate them to do better work.

This happens when organizations:

- ✓ Engage the highest-potential partners and chart a path to shared success.
- ✓ Collaborate with partners on the job to dynamically mitigate new and evolving risks.
- ✓ Review project and partner performance together to continuously learn and improve.

Instead of using typical contractor prequalification forms, builders need to create a full, 360 degree assessment of risk indicators that show both the past performance and the future potential a contractor brings with them on a project. There is still a lot of contractor data to collect; the difference is that this data is used to form a complete picture of a contractor's capabilities instead of facilitating a binary "yes" or "no" hiring decision.

## Checklists: Contractor information to collect for Partner Elevation

Partner Elevation requires gathering a lot of information from contracting partners who might not have the same compliance and administrative resources as your firm. This can quickly get out of control if not properly managed.

In your earliest communications with potential partners, (especially on your website), articulate your vision for risk management. Contracting partners and their employees want to work for hiring partners who care about their safety and their livelihood. Remind them that delivering your vision requires their full engagement.

Precede any enrollment process with an email, explaining the information that will be gathered and outlining the benefits of this process to your partner. First, ask your contracting partners to complete a basic profile questionnaire on your website to gather this information:

- ▶ Trades / Divisions
- ▶ Specialties within each trade
- ▶ Project types (e.g. new build, renovation)
- ▶ Industry experience (e.g. Pharmaceuticals)
- ▶ Service area
- ▶ Largest project capacity
- ▶ Disadvantaged business entity status
- ▶ Key contacts by role

Then, use these checklists to help contracting partners gather the safety and financial information they need to demonstrate their lagging risk indicators to submit their bid. These checklists are similar to the contractor prequalification checklist that hiring partners used before transitioning to Partner Elevation >

**Safety** and **finance** aren't the only risk areas you can uncover lagging risk indicators. Hiring partners can use end-of-project performance evaluations to capture quality-related metrics, such as total days of rework. The total days of rework required creates aggregated data over multiple projects you can use to calculate an 'Average Days of Rework per Project' metric.

# Safety prequalification form



Information to be Collected	Benefits of Including Information
<b>HISTORICAL SAFETY PERFORMANCE</b>	
OSHA 300A	Providing a snapshot of the potential partner’s historic safety performance helps you understand their risk mitigation journey. Gain insight without placing an additional burden on the contractor. This information affords other contractors the opportunity to showcase their past efforts against their peers.
Incident Rates (TRIR, DART, LTIR)	
Experience Modification Rate (EMR)	
Loss Runs	
<b>MANAGEMENT SYSTEMS AND PROCESSES</b>	
Safety and Health Programs	Develop a better understanding of a potential partner’s sophistication and ability to perform work to your expectations. This provides the contractor the opportunity to show they are best in class by investing in these programs and practices.
Quality Management Systems	
Documented Safe Work Practices ( <i>JSAs, JHAs, AHAs</i> )	

# Finance prequalification form



Information to be Collected	Benefits of Including Information
<b>COMPANY EXPERIENCE</b>	
Project References	Provides you with insight into the contractor’s capacity to complete the scope of work successfully. This helps identify potential risks that result from overstretched or overcommitted contracting partners.
Current Backlog	
Work in Progress (WIP)	
Ideal Contract Size	
<b>COMPANY VIABILITY</b>	
Surety Information	Determine upfront if the potential partner has the capacity to meet project-specific surety or insurance requirements. This information also helps you fulfill your project DBE requirements.
Sample Certificate of Insurance	
DBE Certification	
<b>COMPANY RESOURCES</b>	
Labor Force Information	Decide if the work is going to be performed by this contracting partner or if they will need to sub-out or pick up additional materials – which can increase your risk exposure. Additionally, this ensures the potential partner meets the legal requirements for the project.
List of Owned Assets	
Applicable Business Licenses	