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Face Off: Should customers pay for change orders up front?

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By Remodeling Staff

Pay Now

Paying up front makes customers absolutely certain they want the change. If they change their mind, and any fees apply, they still pay. This also guarantees they can afford the upgrade, and we don't have to chase after the money once the change has been made.

There is always stress involved when giving a client a price for changes, so we find it best to deal with it up front instead of after the change has been completed. You have much more leverage at that time than after the fact. In the past, the changes were completed and then we went to the client for the money, often finding ourselves discounting to keep them happy.

Changes Are Good





Change orders disrupt the schedules, cost more to administer, stress the client, and delay the job. We used to dread change orders. But now that we collect the charges up front, we can properly charge for all aspects, like, say, the delay of the job. Change orders have become another profit source for the business.

We have a comprehensive design/build operation and always tell our clients it is best to have as much as possible in the original scope of work. But to date, we have never had a job that did not have change orders, despite the client declaring they will not have any.

We always explain how we handle change orders verbally, and it is written in our contract — along with a copy of a sample change order.

**Marion McGrath, Jonathan McGrath Construction, Longwood, Fla.
 Big50 2003**

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When I hear contractors discuss the need to collect change order money before the work is done, I immediately think this is a knee-jerk reaction. After countless discussions on this topic, I think the need to collect up front usually comes down to a poor system of communication and documentation between contractor and client or sub and employee, or any combination.

With good communication and systems, change orders are not a problem. We bill most change orders on a time and materials basis that is negotiated by the lead carpenter at the point of sale. Our contract states this and says we will collect at next percentage of complete billing.

Good Systems, No Errors

Our system, used effectively for many years, is rooted in a few basic beliefs. First, it is a bad business practice to ask for money before it is earned. Second, it empowers employees to have clear communication with the client and negotiate all change orders (even complicated changes with sales help). Responsibility never leaves the lead carpenter, who is supported by the company systems. The contract clearly states who signs the change orders, when they are paid, and how they will be processed. Third, our contract has language about settling any differences in opinion at the precise time of the controversy instead of at the end of the job. And last, the paper trail from the lead carpenter to billing has to be seamless and error proof.

**Mark Labourdette, Golden Gate Home Repair, Novato, Calif.
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