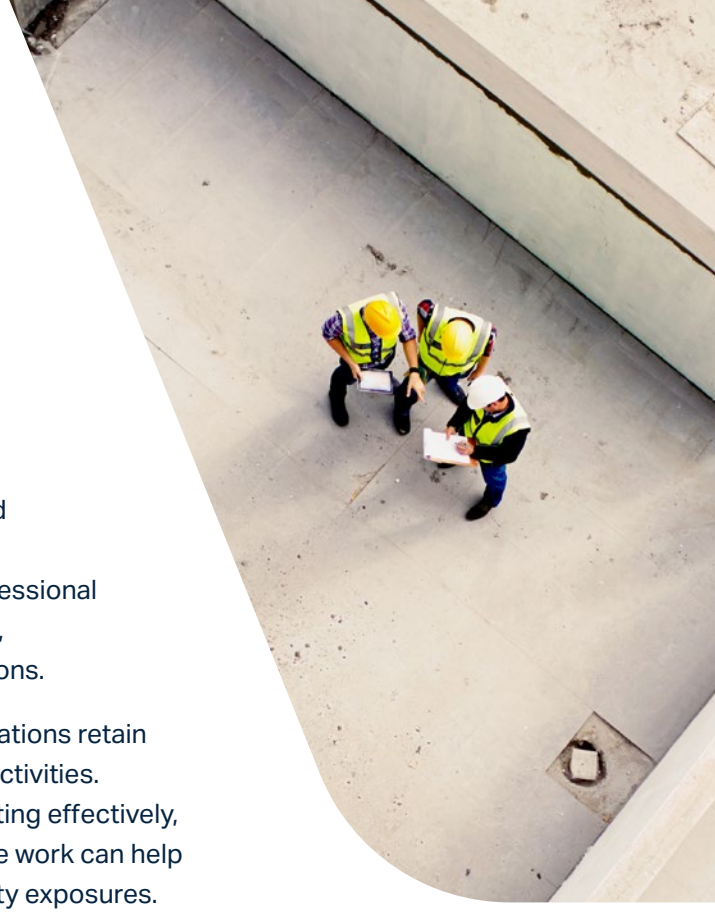
Contractor Management: **Building Stronger Programs and Partnerships**



Organizations increasingly rely on contractors to provide specialized expertise, supplement internal resources, and complete projects efficiently. Whether performing routine maintenance, delivering professional services, supporting capital projects, or responding to emergencies, contractors often become an extension of an organization's operations.

While contractors typically perform the work independently, organizations retain an important role in managing the risks associated with contractor activities. Establishing clear expectations, verifying qualifications, communicating effectively, and maintaining appropriate oversight throughout the lifecycle of the work can help reduce injuries, property damage, operational disruptions, and liability exposures.

In This Guide

This advisory explores practical considerations organizations may use to evaluate and strengthen their contractor management process. While contractor management programs should be tailored to individual operations and risk profiles, many successful programs share common elements centered around planning, communication, competency, oversight, and continuous improvement. One way to view contractor management is as a continuous lifecycle, where each phase builds upon the previous one to support safe, efficient, and successful project execution. The following lifecycle illustrates the key phases of an effective contractor management process.

CONTRACTOR MANAGEMENT LIFECYCLE

A continuous process that helps drive safe performance, improve outcomes, and strengthen contractor partnerships.

Prequalification

Identify potential contractors and evaluate their competency, experience, systems, and ability to perform the work safely.

Selection

Select the contractor that best aligns with project needs, organizational expectations, and risk profile.

Contract Review

Establish clear terms and conditions that define scope, roles, responsibilities, risk allocation, insurance, and performance expectations.



Pre-Job Planning

Align on scope, hazards, controls, communication, permits, interfaces, emergency procedures, and expectations before work begins.



Mobilization

Confirm readiness through onboarding, orientations, equipment inspections, and verification of prerequisites.



Active Oversight

Monitor work, maintain communication, verify compliance, address changes, and support safe performance throughout.



Performance Evaluation

Assess performance against expectations related to safety, quality, schedule, communication, and overall execution.



Lessons Learned

Identify strengths, opportunities, and improvements to enhance future contractor engagements.

CONTINUOUS IMPROVEMENT

Apply lessons learned and performance insights to strengthen contractor selection, planning, oversight, and outcomes on future projects.

Why Contractor Management Deserves Attention

Effective contractor management extends well beyond verifying insurance certificates or confirming contractual requirements. It is a structured process that establishes expectations before work begins, promotes effective coordination throughout the project, and provides appropriate oversight to help ensure work is performed safely, efficiently, and in alignment with organizational objectives.

Organizations with mature contractor management programs are better positioned to reduce operational risk, improve project outcomes, strengthen contractor relationships, and demonstrate due diligence to regulators, insurers, and other stakeholders.

Poor contractor management may contribute to:

+ Injuries and occupational illnesses
+ Property damage and equipment damage
+ Operational disruptions and project delays
+ Environmental releases
+ Quality deficiencies and rework
+ Communication failures
+ Simultaneous operations conflicts
+ Increased liability exposure

EFFECTIVE CONTRACTOR MANAGEMENT CAN HELP:



Reduce Incidents



Improve Operational Efficiency



Strengthen Relationships



Support Regulatory Compliance



Manage Costs



Protect Your Reputation

Selecting Qualified Contractors

Selecting the right contractor is one of the most important decisions in the contractor management process. While pricing, availability, and scheduling often influence contractor selection, organizations should also evaluate whether prospective contractors possess the experience, competency, and organizational capabilities necessary to perform the work safely and effectively. Taking time to assess a contractor before work begins can help reduce project delays, improve communication, and minimize operational risk throughout the duration of the engagement.

While historical safety performance metrics, such as OSHA recordable rates, can provide useful insight into a contractor's past performance, they represent only one component of a comprehensive evaluation. Relying solely on lagging indicators may overlook important factors such as organizational culture, leadership engagement, risk management practices, workforce competency, and the effectiveness of safety management systems. A more balanced evaluation considers both historical performance and the processes a contractor has in place to identify, manage, and continuously improve risk.

Organizations may consider evaluating:

+ Relevant experience performing similar work
+ Workforce competency and technical expertise
+ Required licenses and certifications
+ Safety and quality management systems
+ Financial stability and organizational capacity
+ References and past performance
+ Alignment with contractual, insurance, and organizational requirements
+ Ability to safely perform the planned scope of work

Establishing Expectations Before Work Begins

Many contractor-related issues originate before work ever begins. A structured pre-job planning process aligns both parties on expectations and creates an opportunity to resolve questions, identify hazards, and establish clear lines of communication before work starts. That investment at the front end often pays dividends through smoother execution, fewer surprises, and stronger overall project performance.

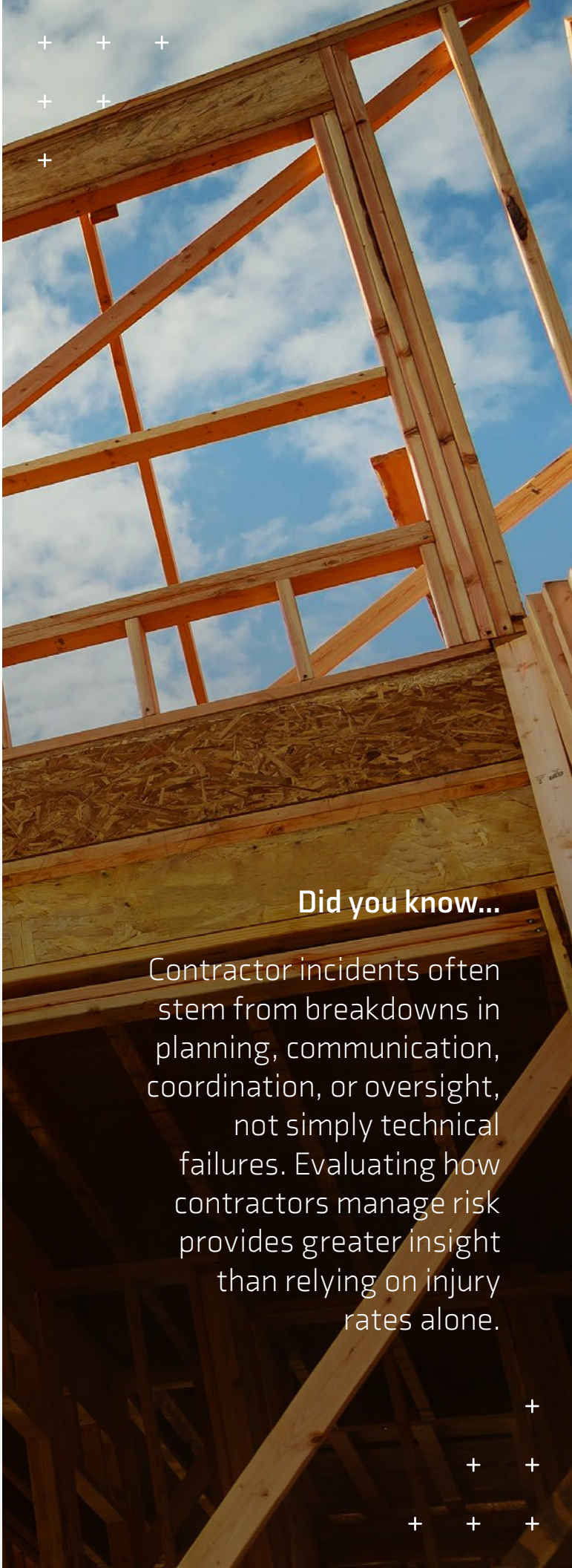
Pre-job planning should consider:

- Clearly defined scope of work
- Roles and responsibilities
- Site-specific hazards and controls
- Required permits and authorizations
- Emergency procedures and contacts
- Stop-work authority
- Management of change procedures
- Coordination with other contractors or work groups

Beyond Operational Oversight

Effective contractor management includes both operational controls and contractual risk transfer. While pre-job planning, communication, and oversight help reduce the likelihood of incidents, well-constructed Master Service Agreements (MSAs) and related contracts can help clearly define responsibilities, allocate risk, and establish expectations before work begins.

IMA's Contract Review team can assist clients in reviewing contractor agreements to identify opportunities for strengthening contractual risk transfer provisions and supporting broader risk management objectives.



Did you know...

Contractor incidents often stem from breakdowns in planning, communication, coordination, or oversight, not simply technical failures. Evaluating how contractors manage risk provides greater insight than relying on injury rates alone.

Active Oversight Throughout the Work

Effective contractor management does not end when work begins. Conditions can change throughout a project as schedules shift, additional work is introduced, environmental conditions evolve, or multiple work groups operate simultaneously. Maintaining appropriate oversight helps organizations verify that agreed-upon expectations continue to be met while identifying emerging risks, resolving issues early, and facilitating effective communication. Oversight should emphasize collaboration and risk awareness rather than directing how contractors perform their work.

While organizations should maintain appropriate oversight, they should generally avoid directing a contractor's specific means and methods of performing the work unless they have assumed responsibility for doing so through contractual obligations or operational arrangements. Oversight is typically most effective when focused on verifying compliance with site expectations, identifying changing conditions, facilitating communication, and addressing observed concerns while allowing contractors to manage their own work activities.

Organizations should maintain visibility by:

+ Maintaining open communication with contractor supervision
+ Monitoring changing work conditions
+ Coordinating simultaneous operations (SIMOPS)
+ Verifying compliance with site expectations
+ Conducting periodic field observations
+ Addressing concerns before they escalate
+ Documenting significant changes or issues
+ Reinforcing expectations as work progresses

Evaluating Performance

Contractor management continues even after work has been completed. Conducting a post-project evaluation helps organizations determine what worked well, identify opportunities for improvement, and capture lessons learned. Performance evaluations not only strengthen contractor relationships but also help organizations refine their contractor management practices and improve future project outcomes.

Following project completion, organizations should consider:

+ Were project objectives achieved?
+ Was communication timely and effective?
+ Were expectations consistently met?
+ How effectively were changing conditions managed?
+ Did contractor personnel demonstrate competency throughout the work?
+ Were safety, quality, and operational expectations maintained?
+ Were incidents, near misses, or concerns appropriately addressed?
+ Would this contractor be considered for future work?
+ Were opportunities for improving future contractor management identified?

- **Communicate openly and often.**
- **Identify and manage risk proactively.**
- **Set clear expectations and follow up.**
- **Maintain visibility and stay engaged.**
- **Evaluate performance and improve.**



Self-Assessment Questions Organizations Should Consider

Contractor management practices should evolve alongside organizational growth, operational complexity, and changing risk exposures. The following questions can help organizations evaluate whether their current processes effectively support contractor selection, communication, oversight, and continuous improvement.

+ Is there a formal process for evaluating and selecting contractors?
+ Are contractor expectations clearly communicated before work begins?
+ How are contractor qualifications and competencies verified?
+ Are roles, responsibilities, and site-specific hazards clearly defined?
+ Are contractor responsibilities appropriately reflected in contracts and service agreements?
+ How are changing conditions or scope modifications communicated and managed?
+ Is appropriate oversight maintained throughout the duration of the work?
+ How is contractor performance evaluated after work is completed?
+ Are lessons learned incorporated into future contractor selection and management practices?

If these questions identify opportunities for improvement, organizations may benefit from reviewing and strengthening their contractor management practices to better align with operational objectives, support effective risk management, and improve project execution.

Final Thoughts

Contractors play an essential role in helping organizations achieve operational objectives, provide specialized expertise, and respond to evolving business demands. As contractor utilization continues to increase across many industries, organizations should view contractor management as an integral component of risk management rather than solely a procurement or compliance function. Effective contractor management is a continuous lifecycle that begins before work is awarded and extends through project completion, performance evaluation, and organizational learning.

Organizations that invest in thoughtful contractor selection, active oversight, and continuous improvement are often better positioned to reduce risk and improve project execution. These practices also help strengthen contractor relationships while demonstrating due diligence during regulatory, legal, and insurance reviews.

While every organization and project presents unique challenges, establishing consistent contractor management practices can help build stronger partnerships and contribute to safer, more reliable operations.



How IMA Risk Control Can Assist

The IMA Risk Control team partners with organizations to identify practical opportunities for strengthening contractor management programs and reducing operational risk. Whether your organization is developing a formal contractor management process or looking to enhance an existing program, we are available to provide guidance tailored to your operations and risk profile.

Organizations are encouraged to periodically review their contractor management processes to identify opportunities for continuous improvement. For additional information or to discuss contractor management strategies specific to your operations, please contact your IMA representative or a member of the IMA Risk Control team.

This material is for general information only and should not be considered as a substitute for legal, medical, tax and/or actuarial advice. Contact the appropriate professional counsel for such matters. These materials are not exhaustive and are subject to possible changes in applicable laws, rules, and regulations and their interpretations.

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