

10 Best Practices for Managing Contractors

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Introduction

Today's industrial landscape makes it more challenging than ever to manage and retain high-performing contractors. Modern technologies and digital processes, last-minute work scope changes, unclear project expectations, poor communication from project managers, and overdue payments can all lead to inefficient and dissatisfied contractors.

Effective contractor management is essential to helping companies find and retain industry-leading contractors for many years. Taking the time to nurture professional relationships with contractors, provide them with training and growth opportunities, and implement their feedback about current processes, is indispensable for the long-term success of both the contractor and your team.

This comprehensive guide will provide you with some of the best practices for better managing your contractors. By implementing these practices, organizations can successfully maximize the efficiency of their contractor onboarding and management processes, decrease contractor costs, and complete projects much more efficiently.

1. Check Contractor Qualifications During Onboarding

Checking contractor qualifications during the onboarding process is the first step to ensuring effective contractor management. Without the right qualifications and certifications to perform certain tasks, your contractors may not be able to complete their assigned work on time, or

meet the quality standards that stakeholders are expecting. They may even pose a safety risk to themselves or others.

Even though contractors are not permanent members of your team, you want to certify that they can safely and accurately perform the same work that your employees can. There should not be a complete skill mismatch between contractors and your team, as extensive training can waste time and money, and pose a liability risk for your organization.

Here are some ways to check contractor qualifications during the onboarding process:

- **Establish a Thorough Pre-Screening Process:** Evaluate your contractors' resume or CV to see their education, work experience, and relevant skills. This information will help you determine if they are suited for a specific project. Conduct interviews to further assess their qualifications, communication skills, and industry knowledge.
- **Verify Credentials:** You should verify degrees, diplomas, or certifications claimed by contractors through official transcripts, or by directly contacting their educational institutions. Ensure any required licenses or certifications are valid and current. Authenticate them, if necessary, by contacting issuing authorities. Some contractor management software tools allow you to manage contractor insurances, certifications, and other key documents all in one place for easy onboarding.
- **Confirm Work History and Experience:** Contact any references to verify a contractor's work history, performance, and ability to communicate and collaborate with others. Review your contractors' past projects or work samples to further analyze the quality and relevance of their experience.
- **Assess Skills:** Depending on the role, you may want to conduct technical assessments or practice projects to evaluate a contractor's abilities. We also recommend testing interpersonal skills, problem-solving abilities, and other soft skills necessary for effective collaboration and performance.
- **Conduct Compliance and Legal Checks:** Perform background checks to ensure your contractor has no criminal history or other red flags that could pose a risk to your organization. Ensure they are in compliance with all tax regulations, employment laws, and industry standards.

2. Set Clear Project Expectations

Setting clear project expectations is a fundamental component of the contractor management process. Without well-defined project goals and expectations, your contractors will likely feel lost and frustrated, especially if the rest of your team is also unclear about expectations.

To establish crystal-clear project expectations for your contractors, you can:

- **Define Project Scope:** Fully outline the scope of your project, including short- and long-term goals, and key deliverables. Provide details on what needs to be accomplished and the expected outcomes.
- **Assign Roles and Responsibilities:** Specify the role and responsibilities of each contractor within the project. Clearly define daily tasks and identify who they are expected to report to during the project.
- **Set Timelines and Key Milestones:** Establish a timeline with specific milestones and deadlines. Communicate key dates for deliverables, progress reviews, and project phases to ensure alignment with project timelines.
- **Establish Quality Standards:** Clearly articulate the quality standards and expectations for deliverables. Determine what constitutes acceptable quality and how it will be measured or assessed.
- **Provide Resources and Support:** Supply necessary resources, tools, equipment, system access, and team support needed for contractors to perform their tasks effectively.

3. Ensure Proper Documentation and Record-Keeping

Ensuring proper documentation and record-keeping is another integral part of contractor management success. It will help you, your contractor(s), and the rest of your team stay organized and united at every project stage. Moreover, it can prevent future confusion or disputes over project scope, daily expectations, expected pay rates, and more.

Here are some key contractor documents to hold on to for proper record-keeping:

- **Contract Agreements:** Draft comprehensive contract agreements that outline all terms and conditions, deliverables, timelines, and any specific project requirements. Ensure contracts are reviewed and signed by all parties.
- **Work Scope Documentation:** Clearly define and document the scope of work, including project goals, tasks, and milestones. Specify any scope changes or updates as they occur throughout the project.
- **Communication Records:** Maintain records of all communications related to the project, including emails, memos, and documented discussions. These can help clarify decisions, resolve disputes, and track work progress.
- **Financial Records:** Keep detailed documentation of contractor payments, invoices, receipts, and any financial agreements or adjustments made during the project. With

the right contractor management software tool, you can easily track all transaction history and rate proposals for certain projects.

- **Performance Evaluations:** Conduct regular contractor performance evaluations, and maintain records of performance metrics, assessments, feedback, and any corrective actions taken. Document achievements, areas for improvement, and milestones reached.
- **Change Orders and Amendments:** Record any changes to the original contract or work scope through formal change orders or amendments. Outline the impact on timelines, rationale for changes, costs, and responsibility adjustments, if any.
- **Retention and Accessibility:** Securely store all documentation in a centralized location, accessible only to authorized personnel. Set retention periods for different types of records, in accordance with legal and organizational requirements.

4. Comply with All Legal and Industry Regulations

Complying with legal and industry regulations is crucial for effective contractor management. Organizations that fail to consistently comply with all laws and industry standards open themselves up to many potential problems.

The results of not complying with legal or industry regulations can include an unethical or toxic work environment, poor communication between contractors and project managers or stakeholders, and negative relationships within the workplace. In more serious situations, non-compliance may result in safety and health risks, damaged company reputation, and lawsuits.

To maintain compliance with legal and industry regulations throughout the contractor onboarding and management process, you can:

- **Understand Applicable Laws and Regulations:** Familiarize yourself with relevant local, state/provincial, national, and international laws governing contractor relationships. These may include employment laws, tax regulations, health and safety standards, immigration laws (if applicable), and data protection regulations (e.g., GDPR, CCPA).
- **Properly Classify Your Contractors:** Understand the legal distinctions between employees and contractors in your area. Misclassification can lead to legal liabilities, so you should verify that contractors are correctly classified based on their work relationship and responsibilities.
- **Create Contractual Agreements:** Draft and execute comprehensive contracts that acutely outline any terms and conditions, including project scope, deliverables, timelines, payment terms, intellectual property rights, confidentiality obligations, and termination clauses.

- **Determine Insurance Requirements:** Determine if your contractors are required to carry specific types of insurance (liability insurance, worker's compensation, etc.) based on their role and the nature of the work. Verify that they have proof of adequate coverage.
- **Comply with Tax Laws:** Ensure your contractors comply with tax laws by providing necessary tax documentation (e.g., W-9 forms, or equivalent forms in other countries). It's always wise to provide clear instructions regarding tax reporting and withholding requirements.
- **Adhere to Health and Safety Standards:** Implement and enforce health and safety protocols applicable to your contractors. Inform them of safety hazards, procedures, and emergency protocols relevant to their work environment.
- **Protect Sensitive Data:** Adhere to data protection regulations when contractors have access to sensitive or personal data. Enforce appropriate data security measures and restrict access to information as required by law.
- **Promote Fair, Equal Treatment:** Ensure contractors are treated fairly and in accordance with anti-discrimination and equal opportunity laws. Avoid discriminatory practices in hiring, payment, or treatment based on protected characteristics.

5. Establish Open Communication

Establishing open, consistent communication with contractors allows organizations to further streamline and enhance their contractor management processes. By implementing the right strategies, companies can build stronger communication channels with contractors, which can promote collaboration and guide your team to achieve successful project outcomes.

Here are some ways you can establish open communication with your contractors:

- **Schedule an Initial Meeting or Orientation:** Set up an initial meeting or orientation session to introduce your contractors to key stakeholders and team members. Take the time to fully lay out project goals and expectations, as well as establish a rapport with them and set the tone for open communication.
- **Select Preferred Communication Channels:** Establish preferred communication channels (e.g., email, phone, project management tools) for regular updates, discussions, and inquiries. Get both parties to agree upon the frequency and communication format.
- **Conduct Regular Check-ins and Meetings:** Schedule regular check-ins or meetings to review progress, discuss any concerns or challenges, and provide feedback.

- **Be Transparent and Share Crucial Information:** Provide contractors with relevant project updates, timeline or scope changes, and any other information that may impact their work. Transparency builds trust and ensures alignment with project goals.
- **Develop a Conflict Resolution Process:** Implement a step-by-step process for resolving conflicts or disagreements that may arise during the project. Encourage open, yet respectful, dialogue to address issues promptly and professionally.

6. Build Strong Relationships

Building strong relationships with your contractors goes hand in hand with establishing open communication with them. It's one of the smartest practices for more effectively managing and retaining skilled contractors on a long-term basis. Giving them the resources they need to work effectively, teaching them new skills, and treating them like a member of the team will make them feel appreciated and respected.

Contractors will be more willing to leave positive reviews of your organization and work with you on future projects. Treating them fairly and respectfully also positions you and your company as an industry leader, and lets you serve as a good example of how to build successful relationships with independent contractors.

To quickly build strong professional relationships with your contractors, you can:

- **Promote Accessibility and Responsiveness:** Give contractors access to key contacts within your organization for questions, support, and decision-making. Respond to them quickly and succinctly to help them be more productive throughout the project.
- **Adopt a Collaborative Approach:** Foster a collaborative working environment that fully involves contractors. Encourage teamwork, knowledge sharing, and collaboration with internal stakeholders and other contractors.
- **Create an Inclusive Environment:** Be mindful of cultural differences and communication styles. Cultivate an inclusive environment where contractors feel respected and valued for their contributions.
- **Celebrate Achievements:** Recognize and celebrate milestones, achievements, and successful project outcomes with contractors. Acknowledging their efforts boosts morale, reinforces a positive working relationship, and encourages long-term collaboration.
- **Build Long-Term Relationships with Top Performers:** Consider developing long-term relationships with contractors who consistently deliver high-quality work and align with

your organization's values. Repeat collaboration can lead to greater efficiency and trust over time.

7. Pay Your Contractors Fairly and On Time

Paying your contractors in a fair and timely manner is one of the most important components of successful contractor management. Though many contractors tend to work on multiple projects at once, it's still essential to pay them on time.

You also don't want to pay your contractors too little, especially those with many years of experience, as they may quickly leave your project to work with better-paying companies. Plus, low-paying organizations tend to garner a negative reputation within their industry.

Here's how to pay your contractors fairly and quickly for their hard work:

- **Set Clear Payment Terms:** Define clear payment terms in the contract agreement, including payment schedule, invoicing procedures, and accepted payment methods. Make sure these terms are fully understood.
- **Encourage Timely Invoicing:** Encourage contractors to submit accurate and timely invoices based on the agreed-upon milestones or completion of work stages. Provide guidance on time tracking, invoice formatting, and required documentation. Some contractor management software tools let you automatically flag invoices and time entries that do not match gate time.
- **Create a Prompt Approval Process:** Establish a streamlined process for reviewing and approving invoices. Designate responsible personnel or a point of contact for handling invoice approvals promptly.
- **Carefully Monitor Project Budgets:** Track project budgets closely to ensure payments align with the allocated funds. Regularly review financial reports and adjust budgets as needed to accommodate contractor payments.
- **Automate Contractor Payments:** Utilize automated payment systems or software to streamline the payment process. Automated reminders for invoice submissions and payment due dates can help facilitate timely payments.
- **Communicate Any Delays Quickly:** If unforeseen circumstances may delay payment, communicate proactively with contractors. Explain the delay and offer a revised payment timeline.

8. Conduct Regular Progress Reports

Conducting regular progress reports is useful for keeping contractors on track throughout the entire project lifecycle. These reports are essential for assessing performance, addressing challenges, and ensuring alignment with project goals. Without them, it may be difficult for you to effectively manage your contractors and guarantee that their work is being done properly.

We recommend you establish some initial key performance indicators (KPIs) before moving forward with monitoring and conducting progress reports. KPIs typically include metrics such as progress milestones, work completion rates, resource utilization, schedule adherence, budget variance, safety performance, and quality assurance. KPIs should always align with the objectives and priorities of the project(s) that your contractors are working on.

To conduct more effective regular progress reports, you can:

- **Define Reporting Frequency:** Determine how frequently progress reports should be given, based on the project's timeline, complexity, and milestones. Weekly, biweekly, or monthly reports are common depending on the project duration and scope.
- **Establish Reporting Format and Template:** Create a standardized reporting format or template with key sections such as:
 - **Project Overview:** Summary of project objectives, scope, and timeline.
 - **Progress Update:** Status of tasks completed, milestones achieved, and work in progress.
 - **Challenges and Issues:** Any obstacles or challenges encountered, and actions taken or required to address them.
 - **Upcoming Tasks:** Outline of tasks planned for the next reporting period.
 - **Key Metrics:** Metrics or KPIs relevant to project performance (e.g., budget spent, timeline adherence, quality metrics).
 - **Action Items:** Specific actions or decisions needed from stakeholders.
 - **Additional Notes:** Any other relevant information or updates.
- **Collect Input from Contractors:** Require contractors to submit progress reports according to your established format and timeline. Encourage them to provide detailed updates, insights, and recommendations for improvement.
- **Review and Analyze Reports:** Review each progress report thoroughly to assess project status, identify trends, and understand your contractors' challenges. Compare actual progress against planned milestones and budget.
- **Provide Feedback:** Schedule meetings to provide feedback on progress reports. Acknowledge achievements, discuss areas needing improvement, and address any concerns or discrepancies.

- **Discuss Action Plans:** Collaborate with contractors to develop action plans for overcoming challenges or adjusting project strategies as needed. Ensure clarity on roles, responsibilities, and timelines for implementing action items.
- **Communicate Next Steps:** You should always communicate next steps, revised goals, or project adjustments resulting from progress report evaluations to your contractors. Ensure that they are aligned with stakeholders on project direction.

9. Offer Training and Development Opportunities

Training and development opportunities are integral to forming positive relationships with your contractors. Whether they are new or have been in the industry for decades, they will almost always be able to learn something new or refine a skill.

Most contractors are looking to develop their skills and become more versatile, as this will open the door for them to work on even more projects in the future. Plus, they will become more efficient for other projects that they work on with your company, so it is a win-win situation for both parties.

Here are some steps for offering training and development opportunities to your contractors:

- **Assess Training Needs:** Evaluate the skills and knowledge required for contractors to perform their roles effectively. Identify areas where additional training would benefit their performance and promote project success.
- **Communicate Opportunities:** Inform your contractors about available training and development opportunities early in the project lifecycle. Outline the benefits of participating in training programs, such as improving skills, advancing career prospects, and contributing to project goals.
- **Personalize Training Programs:** Customize training programs to address specific needs identified during the assessment phase. Consider offering technical training for project tools or programs, soft skills development (e.g., communication, leadership), or industry-specific certifications.
- **Provide Access to Learning Resources:** Offer access to resources such as online courses, workshops, webinars, and industry conferences that align with your contractors' development goals. Provide recommendations and support in identifying relevant training opportunities.
- **Schedule Training Sessions:** Coordinate training sessions at convenient times for your contractors, based on their availability and project deadlines. Provide them with both in-person and virtual training sessions to accommodate their learning preferences.

- **Promote Knowledge Sharing:** Encourage knowledge sharing between contractors and your internal team members. Arrange sessions where contractors can share insights, lessons learned, and best practices from their experiences.
- **Measure Effectiveness:** Evaluate how effective your organization's training programs are through feedback surveys, assessments, or performance reviews. You'll want to monitor your contractors' application of new skills and knowledge in their work to gauge impact.

10. Implement Feedback for Continuous Improvement

Once a project is complete, you should focus on communicating with contractors about what went well, and what could use improvement. Feedback from contractors is an excellent source of information for continuous evaluation and refinement. You can leverage the feedback from contractors to enhance your onboarding and management processes going forward.

To implement feedback from contractors for continuous improvement, you can:

- **Collect Feedback Regularly:** Establish a structured process to collect feedback from contractors at various project stages. Use surveys, interviews, or feedback forms to gather insights on their experiences, challenges, and suggestions for improvement.
- **Review and Analyze Feedback:** Thoroughly review the feedback collected from contractors. Identify positive comments, recurring complaints or suggestions, and actionable insights that can enhance project processes, communication, and collaboration.
- **Prioritize Actionable Insights:** Prioritize actionable insights based on their potential to impact project outcomes and contractor satisfaction. Focus on tackling issues that have the most potential to improve efficiency, quality, or teamwork.
- **Involve Stakeholders:** Share relevant feedback with internal stakeholders, project managers, and team members. Collaborate to develop strategies and action plans for implementing recommended improvements based on contractor feedback.
- **Communicate and Implement Changes:** Communicate planned changes stemming from contractor feedback transparently and proactively. Explain the rationale behind the changes and how they align with project goals and stakeholder expectations. Implement improvements effectively by allocating resources, updating processes, and providing clear guidelines on new practices or expectations.
- **Monitor Impact:** Monitor the impact of implemented changes on project performance, contractor satisfaction, and overall project outcomes. Track relevant metrics or KPIs to assess effectiveness.

Conclusion

By implementing the best practices laid out in this guide, you can more effectively manage your contractors at every step of a project. Checking contractor qualifications and certifications, keeping track of all important documents and records, and ensuring compliance with all essential industry standards and regulations can facilitate a smoother contractor hiring and onboarding process.

Taking the time to build strong relationships with your contractors, conduct regular progress reports, offer training and development opportunities, and implement contractor feedback is integral for long-term success. It's not just about completing projects successfully—it's also about positioning your organization as a trustworthy, efficient, and versatile industry leader, one that truly cares about the needs and goals of its contractors.

With these best contractor management practices, you can simultaneously optimize existing processes and foster a positive, adaptable work environment. **To discover how Prometheus Contractor Management can help you optimize your contractor onboarding and management processes, [reach out to us](#) today.**

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