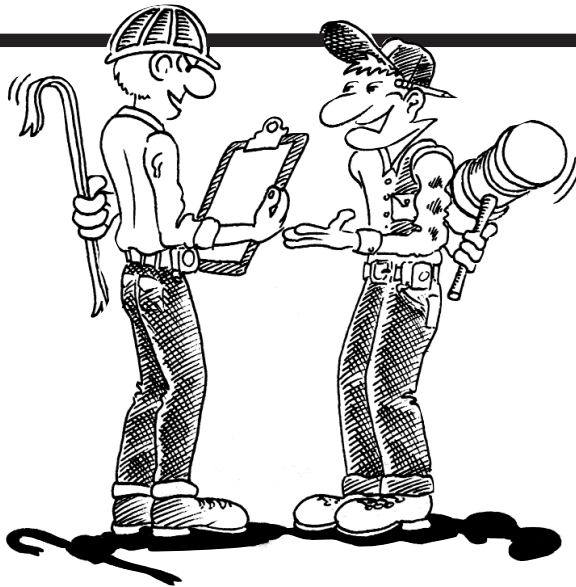


by Richard Lind

SUCCESS WITH SUBS



Few businesses present as many operational and management dilemmas as those faced by home builders. The builder often has little control over his toughest problems. On-again, off-again market conditions, diminishing land supply, and strangling environmental regulations frequently require that the builder think more in terms of survival than profit. The old saying "When you're up to your tail in alligators, you almost forget you set out to drain the swamp," couldn't be more appropriate.

Builders do, however, have control over the way they operate their businesses. Chief among their management decisions is the selection of subcontractors. Maintaining healthy, businesslike relationships with subs certainly increases, if not guarantees, the likelihood of business success.

It is common industry practice to subcontract nearly all the trades that would normally work at a builder's site, regardless of the size or volume of the operation. In fact, many builders operate successfully with a totally subcontracted operation, or with only, perhaps, some part-time general labor. By coordinating the talents of various trades and individuals, we can accomplish what we set out to do and achieve a pleasant, productive, and continuing relationship between builder and subcontractor.

Finding Good Subcontractors

Successful working relationships rarely "just happen." They almost always result from a well-thought out approach.

For starters, find the best subcontractors you can. They can be hard to find at times, as many subs do quite well on word-of-mouth and don't bother to advertise. But you can find pretty good leads from other builders (especially if you are involved in a local home builders association), from subcontractors (in another field), from suppliers to the sub's specific trade (plumbing supply firms, for example), and from the bulletin boards at your general building supply house. And don't forge the local coffee shop at 6:30 in the morning. Sometimes I think that coffee shops survive exclusively on the construction business. In fact, if you want a good indicator of how the market is in your area, check out how the local coffee shop is doing.

Get an Early Start

Allow sufficient lead time to line up the subs. The time needed will depend on the specific trade, market and eco-

nomie conditions, and the weather. Getting an early start will avoid unnecessary delays, higher "rush" charges, and promises made under pressure that can't be kept.

Check Them Out

There is absolutely no excuse for not checking out a subcontractor that you have not worked with before. Secrets are a rare commodity in the building community and bad news travels fast. But in this instance, it's a blessing. A few well-placed phone calls can tell us a great deal about a subcontractor: his performance, credit rating, and the callback reliability, for example. Is the sub accessible? Are phone calls returned? Few things can be more damaging to the relationship between a builder and home buyer than the failure of a subcontractor to respond to complaints promptly. The question is rarely one of competence in the trade, but more how a sub runs his business. We can generally get a pretty good idea by knowing which builders a sub has worked for before, as we are usually familiar with the standards of our peers. Since consistency seems to be part of human nature, it's reasonable to expect our relationship with a particular sub would be similar to what others have experienced with him. So a little effort to check around up front can save time, expense, and a lot of heartache later on.

Keep It Clear and Simple

When soliciting bids for a job, be accurate, open, and above board with the job description, so that the sub will know exactly what he is bidding on and there is no question as to what your specifications are. This puts all bidders

on a level playing field and enables you to make apples-to-apples comparisons when reviewing bids. Don't hesitate to ask for suggestions on where to cut costs if the specifications are flexible, as they might very well be on a spec house. Let the sub perform his job the way he usually does, unless it compromises the specs: It will generally cost less. This situation typically occurs in the bidding process for mechanical installations, where the savings can result from using the equipment the subcontractor usually installs, as long as there is no reduction in quality.

Most people in business are honest and well intentioned and disputes generally result from communication breakdowns and inadequate direction. Communicate clearly so that the sub can figure the costs for the job. Be careful to avoid coming across in such a complicated manner that the sub is frightened away or pads his price to protect himself. Items that are clearly understood before a job begins rarely present problems later on.

When you agree on the contract price, make sure your contract includes a payment schedule. The timing and amount of progress payments should be predetermined, based on work completed. Avoid a per-diem payout, except perhaps with specialty work where the time required to do the work is unknown, but there is a definite beginning and end to the task.

In addition to clear job descriptions and specifications, subs need to know when they are expected to start, and you need to know how long it will take them to perform the job. Make sure, as much as you can, that the sub has sufficient crew available to do the job, so that your schedule is maintained.

Schedule the various trades realistically so that the job is ready for them when you said it would be, and do whatever you have to meet your commitment. For instance, if through no fault of yours temporary electric service has not been connected, provide a generator for the interim. This not only keeps the job moving, but sends an unmistakable message of your determination to meet the schedule, and establishes your dependability in the building community. Assuming no work interference, schedule several subs with their respective trades on the site simultaneously; it not only keeps the job moving, but livens the pace, as one person works alongside another, rather than alone.

Require subs to visit the job well in advance of the start of their work – to make their needs known (when relevant) to the prior trades. This usually involves them with the framer. We have all witnessed at one time or another a "scene" that took place when a justifiably irate framer was asked to open up (and later replace) a door frame in order to place a bulky fiberglass tub unit, or to widen the bay between two floor joists, after the fact, to accommodate a warm-air duct. Had the framer been alerted early on, the disruption could have been avoided. Any requirements for cleanup imposed by the builder should be agreed upon, as well as conditions required of the builder by the subcontractor, such as equipment to be provided, job access, or heat in season.

It is good practice to meet with all subs at the site when their work begins to review the game plan and layout of the work. As the work progresses, make frequent inspections to keep on top of things. Be available throughout the job, so that if unforeseen problems or emergencies arise, someone with authority is there to make a decision. By keeping an eye on the work and making frequent inspections, errors can often be nipped in the bud.

After the foundation is in, the first major sub on the job will be the framer. Since trade schedules tend to overlap on the job, the first subcontractor's performance will set the stage and establish the pace, appearance, and discipline for all that follow. Anything less than good performance will necessarily carry on to the next trade. So make it your business to start out on the right foot.

Contracts and Other Paperwork

Your contractual arrangements with

Find the best, communicate clearly—
and pay them what they're worth

your sub, whether written or oral (so common, unfortunately, in residential building) should be the result of an informed business management decision. It should be established beyond the shadow of a doubt that you are, indeed, dealing on a builder/subcontractor basis and not an employer/employee relationship that could make a builder liable for F.I.C.A. taxes, Worker's Comp coverage, and the like. Have legal counsel hold your hand while preparing the form that the relationship will take. The subcontractor agreement should be simple, but specific. Each trade has different requirements.

Don't expect your lawyer to know the intricacies of a specific trade: You will have to let the lawyer know what you want included in three major areas. First, you will want to define the scope of work. If you are contracting with a framer, you will need to state that he will be responsible for the framing from the top of the foundation up, and to the point of installing the mechanicals. Second, you will need to make clear who is responsible for supplying the materials. Plumbers normally provide their own, whereas the builder usually supplies the concrete for the foundation, and the wood for the frame. Finally, you will need to determine who is responsible for coordinating municipal permitting and inspections. The builder usually organizes these items for the frame, but the hvac sub will usually coordinate the fire chief's inspection and permits himself, for example.

It's good practice to sit down from time to time with your lawyer and insurance advisor to review overall business direction and strategy, as well as any liability exposure. Make sure you include a discussion of subcontractor involvement with your company.

Every state in the union has a Worker's Compensation Statute, and although the laws vary a bit from state to state, the statutes typically require that all employees be covered by Worker's Compensation insurance. Accordingly, every employer – including subcontractors – must provide coverage for his employees. If a sub fails to do so, the builder becomes liable in the event of a claim for injuries received on the job by a sub's employee. No subcontractor works on my job unless he has first provided me with a certificate issued by his insurance carrier stating the Worker's Comp coverage. A prudent builder (even one without employees) will carry his own Worker's Comp policy as backup protection.

Builders should also familiarize themselves with the new federal "right to know" law, as it applies to hazardous substances in common usage on building sites, as well as any similar state laws. And anyone running a business today should be well aware of the obligations under Occupational Safety and Health Administration (OSHA) regulations, not only to provide safe working conditions, but also to limit liability. In view of every-increasing regulations (and unfortunately, a society every-ready to sue), it's important to document our compliance with these rules by keeping good records – copies of correspondence, a daily log, lots and lots of Polaroid pictures, and anything else that might tend to support our position if called upon. All too often, when a problem or serious accident gets a lot of publicity in the area, the agencies are prone to make sweeps of the territory looking for scalps.

Finally, but perhaps most significant: When you negotiate your contract,

allow your subs to make a profit on the job. This is not being a "good guy" – it's just good business judgement. It is totally unrealistic to expect good performance, including callback dependability, unless the job has been profitable for the subcontractor. There are exceptions to every rule, but it is unreasonable to think that we would not have to eventually pay some price for low bids. A contract is good only if all parties to the agreement are happy.

When Things Go Wrong

In spite of your best planning efforts and investigation, there will occasions when your relationship with your subcontractor sours and has to come to an end. End the marriage with a handshake and no hard feelings. This is not inconsistent with your displeasure, for whatever reason, but a decent and businesslike way to react. And you just never know when your paths will cross again. Let them go with a kiss.

There will be times, too, when you feel you are the only one making a contribution to the marriage, such as cooperation, prompt payments, having the job ready – and you don't seem to be getting the same in return. Don't be a glutton for punishment; do what has to be done, part company, and find another sub that meets your criteria. However, if it seems to be a recurring problem, it's a clear indication you're doing something wrong. Take stock of your methods and make the corrections you need to get back on track.

Subs Are a Gold Mine

Besides their obvious function, subs can be a tremendous source of information and ideas. Most subs, like builders, really enjoy their work and are eager to talk about it, given the chance. Seize the opportunity and pick their brains; find out as much as you can about their trade, product, or system. Also, subs who travel from builder to builder can be an enormous source of fresh ideas carried over from job to job, little tips learned on another job that can make your project go a bit easier, or some new and cost-saving approach that you might benefit from. And of course rely on the sub's experience in his own trade to help you get an optimum installation or layout. In contract work, it's not unusual for customers to provide blueprints of overdesigned (and pricey) mechanical installations. Your hvac subs can help you avoid doing a disservice to that customer, who is ultimately paying the bill.

In their travels from development to development, subs often glean other useful tidbits, such as what is "hot" and what is not. They can tell you what price ranges are currently selling, and what buyers seem to be looking for or are willing to forego in a price situation. They often know where lots may be available, or where there is a brick-box apartment building for sale that is ripe for conversion or rehab. They can tell you what town is talking moratoria, so that you might hustle with your permit applications.

These extras make good working relationships with your subs even more appealing. But of course the bottom line is you want your job to go smoothly, and your customers to be happy. A healthy relationship with your subs can go a long way towards doing just that. ■

Richard Lind has been a builder in the Wellesley, Mass. area and a member of the Builders Association of Greater Boston (BAGB) for over 30 years.