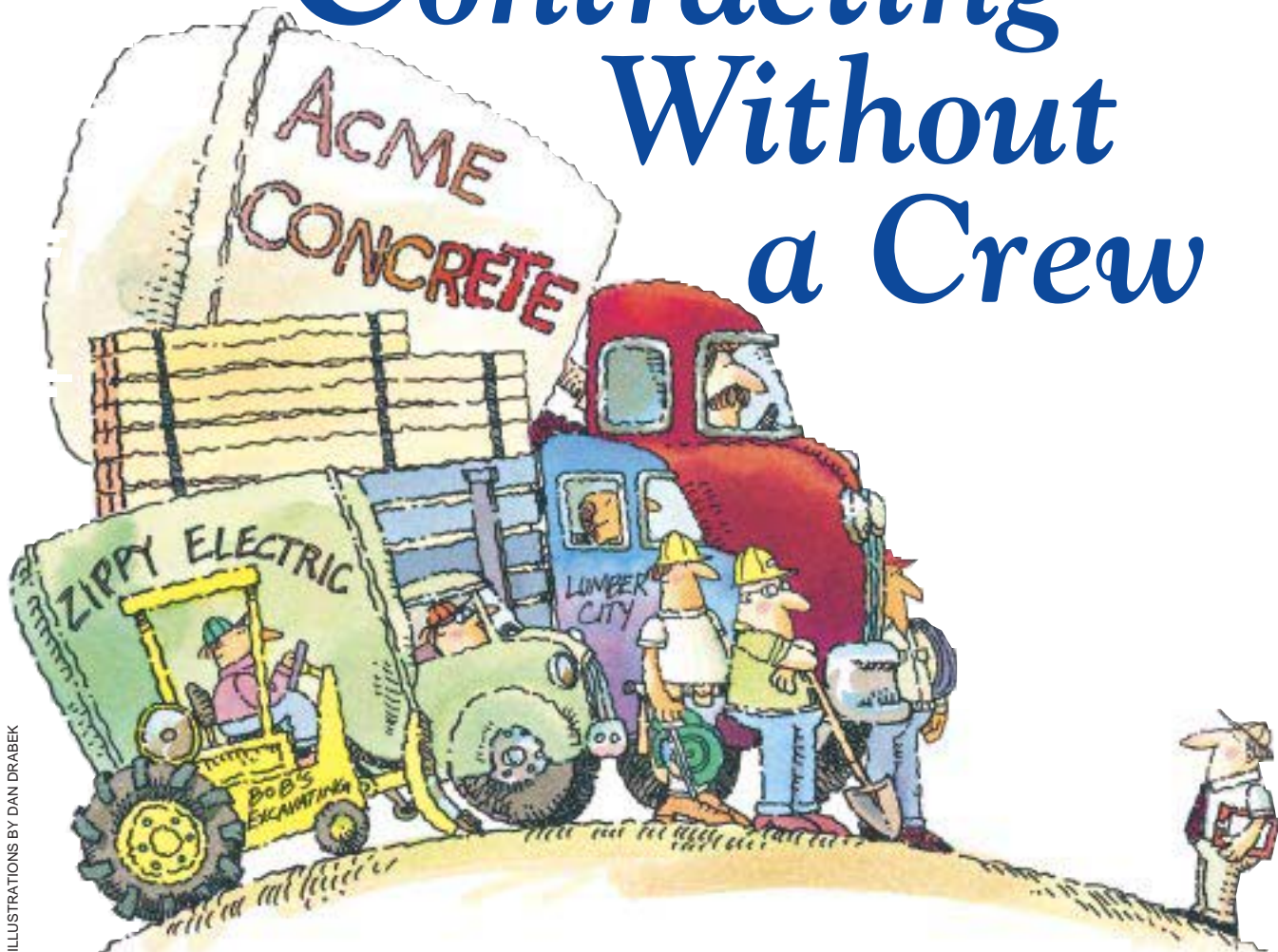


Contracting Without a Crew



ILLUSTRATIONS BY DAN DRABEK

*Employee-free doesn't mean hassle-free:
A solid schedule and good lines of communication
are crucial when you sub it all out*

Running a construction company using only subcontractors has allowed me to streamline and simplify my building and remodeling business. Using subs leaves all the employee headaches for someone else. But a "sub it all out" operation is not for everyone: Organization is the key element. Since your subs are your company, you have to organize them as well or better than you would employees. But if you use sound business practices, you'll have no trouble making a smooth transition. Here's how I do it.

Use Good Subs

It is imperative to use trustworthy subs, and awarding contracts is an exacting part of

running an all-subs job. Responsibilities may vary from job to job, but a subcontractor must faithfully live up to his word, the contract, and your expectations of him. If the sub fails in any of these areas, your job is in for trouble. For this reason, I always try to use subs that have proved themselves on previous projects. Sometimes this means paying more money in the short run, but in the long run it saves money by avoiding miscommunication, shoddy workmanship, and no-shows that throw off the entire job. With proven subs, I'm able to work out problems quicker and with greater satisfaction. Using unknown subs is like playing Russian roulette.

Finding a new sub. There are times when it is impossible to hire tried-and-true subs. In these instances, I have had relatively good luck using subs recommended by associates in the trades. I don't trust a single recommendation, however; I always require at least two more references. Don't skimp on a couple of phone calls now or you could be making a lot of those "why aren't you on the job?" calls later.

Schedule First

I create the schedule for a sub-only project before estimating the job. This gives me my first chance to catch those "who does what" gray areas of subcontractor responsibility, and to factor them into the bid.

I don't expect subs to do the initial bidding for me, so I prepare the preliminary bids. As a result, I can turn an estimate around quickly and eliminate the hassles of dealing with many different bidders. Of course, there are specialty projects or estimating items where I have no choice but to involve a sub. For simple problems like the capacity of a boiler or an electrical panel, this may mean a phone call or a faxed sketch. For the most complex estimates, I meet the subs on site for an inspection.

Formula pricing. In order to prepare a bid accurately enough to get the job and make a profit, you must know what your subs charge. Most subcontractors have simple formulas for figuring jobs. I've asked my subs for their "rules of thumb" and use them in my estimates. But I'm careful not to abuse these formulas. I'm always on the lookout for extras or problems that are not included, and I don't hesitate to consult with the sub if there's any detail I don't understand. After I find out how much the sub's portion will cost (including their profit and overhead), I add my overhead and profit. My bid also covers my wages for the hours I spent estimating and managing the project — you must get paid for your time. When I put all the costs together, I've got my bid.

Awarding the Contract

As soon as I know I have the job, I begin contacting subs for firm bids and contracts. I always ask about the sub's work load and schedule before getting a bid. Since I rely on the same dependable subs, I will often call only one, and never more than three. It's a balancing act: If you don't reward a sub with enough jobs, you may lose his loyalty. Since I know the pricing schedules of my subcontractors, I'm comfortable awarding a contract with only one bid. And I get priority because my subs know that when I call them, they have a good chance of getting the work.

Avoiding no-man's-land. Although many builders still do business with a handshake, it's wise to use detailed contracts — even with good

subs. This is more to avoid tasks slipping through the cracks than to force performance.

Good contracts leave nothing to chance. I try for an airtight contract that spells out all requirements and expectations. Any "no-man's-land" of responsibility noted in my preliminary scheduling is spelled out in my sub's contract. For example, the electrician's contract specifies that the electrician, not the hvac company, will be installing the bathroom venting. Some of the decisions as to who does what will be based on local customs, while others may be strictly arbitrary. In any case, they must be nailed down.

Trash and cleanup are everyone's responsibility, so these items are mentioned in every contract. All subs are required to take out everything they bring in. Even so, I sub out site cleanup on a regular basis, and keep trash cans and a dumpster on the site.



Subcontractor insurance. I require every subcontractor to have his insurance agency send me proof of coverage. Many states have minimum requirements on liability and workers comp insurance. Make sure the subs meet all the requirements or you may end up liable. A sub's insurance *dates* must cover the job time frame; the *amounts* of coverage must equal or exceed the G.C.'s policy. In my experience, many subs do not carry the type or amount of insurance they should. Check with your insurance agent to be sure that if an uninsured sub has a mishap, you have protection.

There have been numerous articles written about the IRS and what constitutes subcontractors and employees (see "Sub or Employee?" 10/92). Workers comp insurance is one of the tests, but if you are subbing it all out, make sure that you and Uncle Sam agree on what a "subcontractor" is.

The "office in a box" contains the basic tools needed to maintain communication between contractor, clients, and subs, as well as other job-site essentials such as first-aid supplies and a fire extinguisher.



The author visits every job site every day, carrying with him a mobile kit of necessities, including a laptop, cellular phone, calculator, tape measure, camera, binoculars, and an assortment of desk supplies.



Managing the Job

Customer relations are completely different when you sub everything out. Good communication between all the players is paramount, and the subs must be fully aware of your role in the project. I make it very clear to the subs (and their employees) that any and all questions are to be directed *only* to me. They know they can reach me via my pager or leave a message on my answering machine.

Most homeowners do not realize how much a contractor does for them beyond the job site. And they are inclined to feel that you are not earning your keep if your subs are constantly asking them how they want this, or where they want that. Worse, if clients begin telling the subs what to do and where to do it, they may wonder why they hired you. Customer relations will go sour if the G.C. is ever perceived to be out of the loop.

Planning and scheduling. Planning and accurate scheduling are essential in an all-sub operation. I start the job with the original estimating schedule and update it as needed. For me, the critical path method (CPM) is the most comprehensive. Most important, it accurately displays which subs can work concurrently and which ones can't. It also keeps me from expecting the same sub to be at two different jobs at the same time.

My schedules are very detailed. In addition to the major tasks, I list material order dates, calls

for inspections, and calls to subs. When I complete the schedule, I call all the subs and have them pencil in the expected dates for their work. Once they know my schedule, slight adjustments are easier to deal with. I call subs weekly to keep them posted regarding their expected start date.

On-the-go communication. Your subs must always be able to contact you. To keep the communication immediate, consider using pagers, car phones, and even a portable fax machine in your truck. I leave a fax machine on every job. Very often, a faxed sketch or detail saves a special trip to the site. A fax on site pays for itself quickly.

Keys to the job. To give subs access to the job, we use a combination lock-box similar to those used by realtors. There is only one key for the job, and the subs get the combination to the box. With this method there are no hidden keys, or keys in the hands of the wrong people.

Each job also gets a portable "office in a box" (see top photo, at left). I use a plywood box with a fold-down front that sits on a pair of sawhorses in some out-of-the-way place. The "office" contains pencils, paper, portable phone, and a fax machine (which doubles as a copier). There's also a set of plans, and a bulletin board for exchanging messages with subs, suppliers, and homeowners. To secure the office, the box is padlocked and the key placed in the lock-box with the job key.

Quality Control

The best defense against poor-quality work is committing yourself to using good subs. But, in addition, you must visit the job site at least once a day. I carry a kit of "necessities" to each of these visits (see bottom photo, at left). On each visit, I have a list of things to accomplish, including vendor's questions, messages from subs, and changes made by the homeowner or designer.

I try to talk to every sub on the project during each visit. Each day, I do a visual inspection of the work in progress, because the sooner a problem is discovered the easier it is to remedy. Also, making a daily inspection shows the subs (and owners) that I care about the job and about them.

Materials and supplies. Since subs typically get better discounts than GCs, my subcontractors normally supply their own day-to-day material needs, as well as specialty items. This makes them responsible for any problems with the merchandise. It also saves countless hours of shopping around, and passes one more IRS test for subs.

Material warranties are one of those gray areas that you need to bring up with subs. Make clear who is responsible for materials at each stage of construction. Do the same for customer-supplied materials. ■

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