



## **Contractors vs. Subs - Assembling the Successful Project Team**

Many of you are going to suggest that the ideas expressed in this article are elementary or even stupid. I'm okay with that, but if everyone is doing everything right, then why do we encounter so many adversarial relationships, lawsuits, wasted time, manpower, and money trying to complete building projects and get paid?

Construction is indeed an interesting industry. It's a manly business where the great "American Can Do" attitude prevails. This attitude can sometimes convince us to boast and, worse yet, believe we can build anything, anywhere, anytime, anyplace and for anybody. And – if that's not enough – we will guarantee that we can do it faster, cheaper and better than the other guys. (This, by the way, created two additional industries - construction attorneys and bonding companies - but that's for another article.)

This is the quandary general contractors face daily as they recruit, qualify and employ subcontractors. The selection process is different, but similar, depending on whether the GC was awarded the project by bid or whether the project was negotiated or a design build. We will explore the hard-bid process since it is the most prevalent in today's marketplace.

Subcontractors face a similar predicament as they select projects to bid and to assess the risk/rewards before they sign contracts for their products and services.

We all know the drill - the GC is the low bidder on a project and has signed an agreement to deliver a product for a specific price to meet specific specifications within a specific time frame. Now the game begins. The spread between his bid and what he can "buy out" the job for will determine his profit, and that "buy out" phase will determine the subs' profits as well.

### **The GC's Perspective of Subs Post Bid – Did you ever notice that after the bid:**

- All the subs love you.
- Most have found savings in their bid that they can give back to you if you choose them.
- The schedule will be no problem - there is plenty of time to do the impossible.
- Yes, they saw/bid all the latest drawings and addendums and have no questions.
- They can have all of your cut sheets and products for approval the day after tomorrow.
- Many subs will sign any agreement you put in front of them.

- They clean their trash and debris daily and deposit it in the dumpster.
- They have never had a lien posted on a project because of their actions.
- They are all bondable.
- Everyone has a great safety record and strictly enforces a drug-free workplace.
- Everyone has worked in the subject municipality and has great Building Department relations.
- Everyone will promptly provide precise "as built" and warranty packages at close of job.
- Etc., etc., etc., etc.

### **The Subs' Perspective of GC Post Bid – Did you ever notice that after the bid:**

- The GC loves you best even though he tells you that you are not low bidder (even if you are).
- He gives you the opportunity to review your numbers and see what you can do.
- The GC guarantees that the schedule is no problem and he will strictly adhere to it.
- The GC has a great working relationship with the owner, architect and engineers.
- He assures you that all subs are paid on time every time.
- You are assured that the GC will have competent, qualified team players as PMs and Supers.
- Company policy is that all RFIs and change orders are handled promptly and fairly.
- Etc., etc., etc., etc.

The fact of the matter is that, in the end, it's mostly about the money. Everyone talks about their values, their honesty, their loyalty to the team, their past successes, their wonderful staff and workforce. But, in reality, it's about the money.

Sorry for the cynicism, but 40 plus years in the industry – owning a subcontracting company and later a mid-size GC firm - has left a few scars. But, there is good news. There are win-win partnerships where everyone works for the common good of the team and everyone profits.

It all starts with doing your homework. It doesn't matter if you are a GC or a Sub, it is just good business to check out the other party up front – before a contract is signed.

## **Call References and Check Out the Other Party – Nothing replaces due diligence:**

- Talk to current or past employees of the company you are considering doing business with. They can provide a wealth of knowledge regarding a company's core values.
- Call past project owners and the A&E team to get a feel of how past projects went. Are there any particular areas where problems existed on the projects?
- Call competitors who have worked for the other party and get their feel of why they are or are not currently soliciting work with the other party.
- Call supply houses and vendors to get a feel for how the company purchases and schedules projects, as well as to inquire about its payment history.
- Call building departments and visit with permit clerks and inspectors to get a feel on how they are with paperwork, quality, inspections, and follow through.
- Run a background check on the business and the business owners/partners. In today's credit and security world, it's fast, cheap and easy to obtain this data.
- Call their bank and talk with an officer who is familiar with their accounts to verify accuracy of any financial information, such as lines of credit and bonding limits, that the other party has shared with you.
- Call their insurance agent to verify information regarding proof of insurance, limits of liability, insurance modifier, proof of safety program or a drug-free program. (I once had a contractor provide me with a proof of insurance certificate which he had cleverly doctored up, and it ended up costing my company thousands of dollars for damages after a jobsite accident.)
- Call their surety agent to verify bonding lines.

Yes, this is basic Construction 101, but just be aware that in the chase of the \$\$\$ and hurrying to get the contract signed, we sometimes choose to overlook all kinds of red flags and hear and see what we want to believe. We "bet" we can manage any problems and finesse our way around any issues that might arise.

Running a profitable and successful construction or subcontracting enterprise is risky enough. Raise Your Odds of Success – Do Your Homework.

**Kent Leighton**

**kent@flatrockgroup.com**

**830-201-0678**

**[WWW.FLATROCKGROUP.COM](http://WWW.FLATROCKGROUP.COM)**

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