

HIRING AND HANDLING SUBS

Clear rules, fairness, and give-and-take keep subs on track and on the team

Steve Farrell is a fourth generation builder who grew up in the family remodeling business. All of the Farrell Company's \$1.5 million of work last year was residential remodeling in the heart of California's upscale Silicon Valley.

Steve "runs the field" for the company, visiting each of their average four job sites daily. He keeps in constant contact with his subs and his crew — two carpenters and a helper — via the phone in his truck, and even puts on the nail belt occasionally. His father handles initial client contact and bidding, while Steve's wife takes care of the books.

Like most contractors, Farrell sees his subs as vital to his success. He works hard at maintaining clear, consistent relationships with them. Here are his thoughts on this aspect of the business.

JLC: How important are subs to your company?

Farrell: Their work represents about 70% of our volume, so a lot of our profit comes from the 20% we mark them up.

JLC: Where do you use subs?

Farrell: We do all our own foundations except for flatwork, all framing, siding, and interior trim. We'll do dry-wall on a small job, but everything else is subbed out. That includes the usual trades plus specialties like shower doors, security systems, special paint finishes, etc.

JLC: Do you have just one subcontractor bid on each trade?

Farrell: In most cases, we have two. First, this allows us to compare cost and specs during the bidding process to make sure we're not forgetting anything. Second, if one of our subs gets injured or sick, we've got someone who is familiar with the job to step in.



Project manager Farrell, at right, reviews the coming week of framing with his carpenters, and coordinates the start dates for his subs.

Third, since we're not the only contractor these guys work for, it means we won't have to stall a job because of scheduling problems. And fourth, it allows us to choose different skills, approaches, and temperaments for different kinds of jobs.

JLC: Do you ever have more than two subs bidding on a single trade?

Farrell: No, it's not fair or good business to round up fifteen guys, sign the lowest bidder — the guy who made the mistake — and then babysit him through the entire job. In fact, I'll even tell a guy if I don't have anybody bidding against him. I have an idea of what the job will run, and they know that if they nail me on a cost, I'll take it as a personal shot.

JLC: How do you find your subs?

Farrell: The best source is our other subs; my electrician found both my tile man and one of my plumbers.

JLC: What do you look for?

Farrell: We want subs that are established, but fairly small. That way our relationship is with the owner. And smaller subs are usually more responsive since we're providing them with a good part of their total business.

A few months ago we hired a big drywall firm for a monster house we were doing. Because our job represented less than 1% of their gross, they did the project on their time schedule at their level of quality.

JLC: How do you judge things like reli-

ability, trade skills, and attitude toward clients when interviewing subs?

Farrell: I look for enthusiasm, for how a sub dresses, how well he carries himself, if he listens carefully, the condition of his truck.

I also want to know how he came up in the business, and even how much education he's had. Our clients are successful, and they're used to working with people who are sharp — they demand it.

JLC: Who are your most valuable subs?

Farrell: The guy who does my demolition and hauling, my tile man, and my cabinetmaker are all pretty important. But the sub that makes or breaks any remodeling contractor is the painter. It's the last layer, and the one the clients always pick on. We've used the same guy for 12 years, and he's the only subcontractor with whom I have a personal as well as a professional relationship.

JLC: Do you have your subs inspect the job prior to bidding?

Farrell: Usually, though I don't like to drag them through a job unless I think we have a good chance of getting it.

But a walk-through can really nip problems in the bud. For instance, I can ask my plumber how he's going to get his pipes through a bearing wall, while letting him know he's going to be looking at a glulam the size of China (and I will have him shot if he

gets a drill anywhere near it).

Or my electrician may find he has to upgrade a box, even though the plans don't show it. This way there are no surprises, and we can go back to the client and say, "If you choose us for your project, we aren't going to hit you with a lot of extras later on. Our price is higher, but it's because we've done our homework."

JLC: Do you include both subs who are bidding in the walk-through?

Farrell: This is where it gets tricky. Usually only one guy goes out, but if we discover a problem that's not on the plans, I'll tell the other sub who's bidding. If I don't, I'm essentially sticking the guy who didn't come out with the financial consequences.

The sub that was on the inspection can say, "Hey, I killed my time coming out and you gave all the information to the other guy." That's a hard point to argue, but I'll give him the job if he's within 5%.

JLC: Do you get written bids?

Farrell: I ask them to phone in a number, but then back it up with a "scope of work" description so I'm covered later on when we get into the job.

JLC: Do you award the contract based solely on price?

Farrell: I start with price. If there's a big difference between the two bids, I call up the guy with the lower number and ask him if he feels comfortable with it. If he says yes, I tell him I'm

going to hold him to that number even if he comes crying to me midway through the job. But I'll also give him a chance to refigure it if he feels at all hesitant.

If the difference between the two bids is minor, 5% or less, and the guy with the lower figure is sounding wishy-washy, I'll just go with the higher guy. But I also try to match the job with the sub.

JLC: *Once the client has signed, do you hold preconstruction meetings?*

Farrell: Yes, but they're not long and drawn out. I just introduce three or four of my primary subs — electrician, plumber, painter, and sometimes my tile man — to the homeowners. This increases the clients' confidence level once the job starts because it's no longer a bunch of strangers walking into their house.

JLC: *How do you let your subs know when they're going to start?*

Farrell: After my bid has been accepted I sit down and draw up a schedule. I use a relatively simple bar chart and go over it with the homeowner. Then I call up each subcontractor and let him know exactly when he's starting.

JLC: *What about changes?*

Farrell: They're a fact of life. When I see a change coming up, I'll call my subs and inform them. I'm in contact with my major subs every day, and they can always reach me in my truck.

JLC: *Do you intentionally overlap your subs?*

Farrell: Yes. Everybody has an effect on the next guy and I overlap them slightly so they're communicating. For instance, I run my sheetmetal sub through while my carpenters are still on the job, to straighten out any problems.

JLC: *Is the sheet metal sub the first to rough in?*

Farrell: No, my plumber is always first. Getting his pipes around everything is tough. The sheetmetal guy is next; he also needs a break. The electrician is last, because his material is a lot more flexible. Worst case, he's going to use an extra 100 feet of Romex and complain a little more because he's last in.

JLC: *What about the order of finish?*

Farrell: That's just as critical. For instance, you don't want your hardwood flooring sub in there while the painter is driving the humidity through the roof; and you want the cabinets sealed before the tilsetter turns the wood black with mortar.

I let my painter finish inside, then while he works outdoors, my electrician and plumber trim out. After that, the flooring sub can come in, followed by a final touch-up tour by the painter.

JLC: *Sounds great in theory, but aren't there conflicts?*

Farrell: Sure. If I have subs growling at each other, I'll just say to one of them, "Hey, this isn't working, come back next Tuesday when the other guy won't be in your face."

And sometimes you just need to turn the site over to one guy to get him out of there. Drywall is a good

example. It's messy and dusty and nobody likes being there while it's happening. I tell the homeowner to visit relatives, and give my drywall sub whatever he needs to get him the hell out of there. If the other guys don't have anything to do during that time, I'll get them started on one of my other jobs.

JLC: *But subs have scheduling problems too, and can't always start when they promised.*

Farrell: True. They often get loaded with extras on the job before yours. When this comes up, I can usually give them slack on the front end, but I set an absolute finish date. If they're going to have trouble meeting that, we figure out a schedule of weekend work, or I help out by picking up material, etc.

Sometimes they're just tight financially, and are trying to finish up their current job so they can buy materials for my job. In that case, I'll give them a check ahead of time. But when I do, I expect them there the next day.

JLC: *Does your lead carpenter handle problems with subs when you're not on site?*

Farrell: No, I try to take that load off my guys. He'll make decisions on his own work — frame, finish, whatever — but typically not with the subs.

I'm on every job at least once a day. If it's critical, I'll get all my other jobs out of the way early, and spend the rest of the day there. The subs know that, and they know the decisions all have to be made by me, because I'm the only guy who is carrying all the relevant information in his head.

JLC: *Any problems with homeowners asking your subs for changes?*

Farrell: It's the same deal. All of this stuff has to funnel through me or it just doesn't work. If the homeowner requests something and the sub goes ahead, he just did that work for free. The sub's contract is with me, not the homeowner. I'm flexible on a lot of stuff, but not this.

JLC: *How do you handle change orders?*

Farrell: When the client asks for a change, I go to my sub immediately and get a rough guesstimate, right on the spot. Then I'll double it and go back to the homeowner to get a "go" or "no go."

This does two things. First, it's fast, so that change orders don't end up shutting down the job. Second, if we do the work, I bill the client for actual costs plus mark-up, and we end up as "good guys" when we come in below the estimate. With all the stories homeowners hear about remodelers hosing their clients on extras, this is more important than you might think.

JLC: *What about the gray area between a change order produced by hidden conditions, and an item the sub missed when he bid the job?*

Farrell: If my electrician comes to me and says he's going to have to put in a new service box and didn't bid it, I might split it with him if I'm doing okay on the job to that point. Technically, it's not my problem, but by giving a little I end up with a hap-

pier sub and a little leverage with the guy I didn't have before.

However, I don't do this often; I expect these guys to be professionals and know their trade.

JLC: *How about conflicts between trades about who does certain tasks?*

Farrell: The trick is to pick these up right away — before bidding — and circle them on the plans. Where I see it most often is between the plumber and the hvac or sheetmetal sub over venting. The way I handle it, bath fans are provided and hooked up by the electrician, but ducted by the hvac sub. My plumber usually vents his own water heater, and provides roof jacks for his vent pipes.

And I don't let anyone but my plumber run gas lines, even to the furnace. He also hooks up all appliances — another area where I don't want mistakes.

JLC: *How do you proceed when you find a problem with a sub's work?*

Farrell: I tell the tradesman on the job so he can correct it without having to look bad in front of his boss. But I expect him to turn to it right away, not finish what he's doing and come back. That way he's not making the correction a separate project, and the problem is less likely to mushroom.

JLC: *What if he shrugs it off or argues the point?*

Farrell: I tell him to pack it up and I call his boss. I'm real demanding — these guys are always one bad job away from not working for us again and they know it. It's important to have a little leverage with these guys, but I also know I can never abuse it. I've got to be clear in communicating what I want, and absolutely consistent and fair in how I deal with them.

JLC: *How about callbacks?*

Farrell: Ideally, I do a walk-through before the subs leave, but if not, I'm still holding that final payment. Since I do all the scheduling and okay every invoice before it's paid, it won't slip past me.

JLC: *Have you been "liened" by subs very often?*

Farrell: Never. We pay our subs as soon as we're square on the work and they've invoiced us. In fact, most of our guys don't even send the pro forma, pre-lien notices to the homeowner because they trust us. However, I never object if they do; we all need to protect ourselves by getting things down on paper. But I do remind the guys who sent notices to issue a lien release the day they get my payment; you can't just do the paperwork that's advantageous to you.

JLC: *Do you do anything special to reward your subs? Christmas parties, bonuses?*

Farrell: Not really. We provide them with a steady source of good work and we keep our word. That's a lot. If we throw a big Christmas party and invite our subs, it'll cost us \$1,000 and they'll remember it for about four months. But if we offer them a solid business relationship where the rules are consistent and there's some give and take, they'll remember that for a lot longer. ■