

Subbing Out Everything

You can reduce costs
and improve quality
by subcontracting
all your labor

When I tell other remodelers that our company subcontracts all of its labor, they often give me the same expressions of pity I get when I admit that I'm still a Red Sox fan. The prevailing wisdom views subcontractors as the weak link in the remodeling chain, but our experience has

by Michael Touzjian

taught us just the opposite. By subbing out everything, we control costs and quality

better than we ever could with employees.

We haven't always done business this way. When I came on board nine years ago, the F. H. Perry company was typical of most residential remodeling firms, maintaining a payroll of 14 carpenters while subcontracting all the mechanical and specialty trades. Then came the 1990 recession, which hit the Northeast hard, but proved to be a blessing in disguise for us. When business fell off, we were forced to lay off most of our staff. A few years later, as business began to pick up, we were reluctant to start hiring again. We'd always had success working with subcontractors, so we decided to sub out the carpentry as well. The first subs we brought in were former employees who had gone into business for themselves, so the tran-

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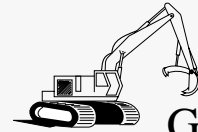
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Quality and Value
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sition was relatively painless. Many of those contractors are still with us today.

Our Subcontractor Code

We don't run a 1099 shell game. All of our subs are legitimate, independent contractors. None of them gets a majority of their business from us, but we don't want fly-by-nights. We require all subs to provide us with certificates of insurance and we insist on signed contracts for every job.

Our relationship is one of partnership and mutual respect. We offer our subs regular, interesting jobs that they don't have to sell. We pay them well and we pay them promptly. In

return, they give us high-quality production and meet our schedule. We ask that subs don't discuss pricing with the homeowner and refer all but superficial questions to the project manager. We also insist on appropriate attire and language, quiet radios, no smoking, and daily cleanup.

Obvious advantages. Because we get fixed prices from our subcontractors, we can control costs and share remodeling's inherent risks better than we could with employees. We don't have to shoulder the bookkeeping, either, and we avoid some of the psychological burdens of managing a large group of employees. Subbing out everything enables us to run a \$3 million operation with a one-person office staff.

Most important, because we're not obligated to keep employees busy, we can take advantage of the specialized skills of talented craftsmen where and when we need them. When we had employees, we'd often have the person who was available doing the job, even if he wasn't the best choice. By subcontracting carpentry, we always have the right person doing the work. If we need a top-notch finish carpenter and we schedule our time carefully, we'll get a top-notch finish carpenter, someone whose abilities we know because we've done many jobs together in the past (see "Finding and Keeping Great Subs").

The fact that our work is done by subcontractors doesn't trouble our customers. On the contrary, they are delighted to have experienced, professional craftsmen working on their homes. If the homeowners have a question for our stairbuilder, they'll get an education rather than a noncommittal shrug.

Dividing the Workload

As high-end remodelers, all of our jobs are unique, so our breakdown of labor varies considerably (see Figure 1). For smaller projects, we may award all the carpentry work to one sole proprietor who takes responsibility for all the labor that a general contractor would ordinarily provide — including picking up after the subcontractors. A million-dollar addition and remodel, on the other hand, might have separate contracts for each phase of carpentry work, in addition to the mechanical and specialty trades. In most cases, we supply the materials, but we often need to clarify who provides fasteners and disposables, like blades and chalk.

A service for everything. One of the advantages of doing business in the 90s is the wide

Division of Labor

Note: General contractor provides materials, except where noted. Subs provide labor only, except where noted.

SUBCONTRACTED TASK	COMMENTS
Sitework	rarely needed
Rough demolition	demolition specialist (also provides dust protection services)
Fine demolition (i.e. salvaging valuable trim)	work done by carpentry subs
Rough framing	framers also put down basic asphalt shingle roofing
Roofing (copper & slate)	roofing specialists (provide labor & materials)
Window installation, siding & ext. trim	carpentry subs
Window repair	restoration specialist; also installs replacement sash, storm windows that meet historic requirements
Plumbing	plumber supplies cast-iron tub, water closet
HVAC	provides design service, all labor & materials
Electrical	supplies task & recessed lighting; owners generally supply decorative lighting
Specialty installations	telephones, central vacuum cleaners, home audio systems; all furnish labor & materials
Plaster, wallboard (installation & finish)	labor & material
Finish carpentry (small job)	self-employed carpenter with helper
Finish carpentry (large job)	large trim contractor with millwork shop, supplies all labor and materials
Kitchen	kitchen specialist furnishes all labor and materials except for countertops
Solid surface, stone & tile countertops	fabricator/installer supplies whole package, helps customer make selection.
Stairbuilding	labor and materials
Custom cabinetry (built-ins)	all labor and materials furnished by cabinetmakers
Door hardware and weatherstripping	supplies weatherstripping only

Figure 1. This table lists the breakdown of work phases that are subcontracted by the author's company. On a small job, all carpentry work might be done by one individual. On large projects, each phase of construction may require a separate sub.

variety of specialty services that are available. Our telephone, central vacuum, and home audio systems are all put in by different specialists. We also use one subcontractor who rebuilds old windows and another who installs weatherstripping and door hardware. And when the job is finished, we bring in a cleaning service to make everything spotless.

When we need casual labor, we turn to a temp agency. Besides laborers, the agency we use offers contractors a choice of three carpentry skill levels: Grade 1, which is really just a laborer; Grade 2, a "moderately experienced" carpenter (typically a trade school graduate); and Grade 3, which is someone you could leave on a job alone. Getting a successful temp is really the luck of the draw, but as with other subcontractors, when they send us someone who's good, we'll request him the next time we need help; if possible, we'll put the work off until he's available.

Operations and Management

The owner of our company handles sales and design. As part of his estimate, he prepares a budget for each job category. Only after we've gotten the job will we solicit bids from subcontractors to see who can best meet the budget. For smaller jobs, we'll take unit prices over the phone. Large projects require a room by room walk-through with plans and specs.

It's my responsibility as production coordinator to oversee the handoff from sales to production. In addition to ironing out all the design questions, I work with the job's project manager to line up the subcontractors. Because it's harder to schedule good subs than to throw employees at a job, we allow plenty of lead time before work begins.

Instead of simply taking bids from subcontractors, we try to work with them to establish prices that are fair to all parties. We want our subs to be successful so they'll continue to do business with us. To that end, we try to make sure they have all the information they need to figure prices accurately. If someone makes an obvious mistake and underbids or overbids a job, we'll point it out to them.

Critical communication. Besides the owner, the office manager, and me, we have five project managers on staff who run the individual jobs. To make the best use of the subcontractors we have available to us, it's vital that we all communicate. One of the ways we encourage this is by holding a biweekly staff meeting at

Finding and Keeping Great Subs

Everybody in the company is always on the lookout for good subs. Each of us has a big, fat Rolodex and a copy of the company Subcontractor Notebook — a loose-leaf binder that lists each sub, what they're good at, and comments about their performance. Not long ago, I tried out a new subcontractor and he did great work, so I added his name to the book. Under comments I wrote: "Good at smaller size projects; rough framing to finish trim, nothing too ornate." Now everyone in the company knows they can call him when they need his expertise.

We dig up new subs through a number of sources:

Networking. The company owner is active in the local NAHB Remodelor's Council and exchanges sub information with many contractors who do similar work. There's always somebody who just lost a job, so if you beat the bushes, sooner or later you'll find the right person.

New home builders. Skilled production trim crews are often thrilled to change pace and take on some exciting, creative work. They don't often get to work with rosettes, plinth blocks, and built-up moldings.

Large subcontractors. While some of our subs are sole proprietors, one of our regular subcontractors is a ten-million-dollar general contractor with 40 carpenters on the payroll. They're perfectly happy to take our sub work, because it helps them absorb the slop in their schedule and keep everyone fully employed. Their large workforce allows them the flexibility to send us a man on short notice, which is a valuable asset for us and one we're willing to pay for.

—M.T.



which we coordinate our schedules and share information about subs — new leads, who's available, who needs to be reminded about upcoming work, who hasn't returned phone calls, and so forth.

To keep the daily lines of communication open, we have fax machines on all of our job sites and each of us carries a portable phone from NexTel (1505 Farm Credit Dr., McLean, VA 22102; 703/394-3000). Our company even keeps a spare NexTel unit to lend to a subcontractor who's working alone on a job.

Easier Than Herding Cats

Admittedly, working entirely with subs takes more supervision than with employees, so on all but the smallest jobs, the project manager is

F.H. PERRY BUILDER

Johnson Residence Chronology

Updated: May 22, 1998

Electrical make safe	April 27 - May 1
Plumbing make safe	April 27 - May 1
General make safe	April 27 - May 1
Protection	April 27 - May 1
Exploratory work	April 27 - May 1
Demolition	May 4 - May 7
Rough framing	May 7 - June 5
Rough plumbing	May 25 - June 12
Rough electrical	May 18 - May 29
HVAC	May 26 - June 18
Venting	May 18 - May 28
Blocking and strapping	June 1 - June 9
Plaster	June 10 - June 18
Tile work	June 15 - June 24
Casework	June 22 - July 17
Window work	June 22 - July 17
Flooring	July 6 - July 24
Finish plumbing	July 24 - August 7
Finish electrical	July 19 - August 7
Painting	July 19 - August 31
Kitchen cabinets delivery	July 31
Kitchen cabinets installation	August 19 - August 28

Figure 2. To be certain that everyone understands the schedule, the author creates a typewritten chronology as well as a Gantt chart, and sends copies of both to all subs and the clients. The chronology, shown here, is much easier for clients to follow.

on site full time to make sure everything runs smoothly.

The jobs themselves actually move faster with subcontractors, however, because of the inherent sense of urgency. Most subs let me know at the contract signing that if we're not ready for them to start on the date we give them, it could be weeks before they can get back to us. That's all the incentive anyone needs.

To make sure everybody involved knows where they're supposed to be and when, we schedule each of our jobs on a Gantt chart and send copies to all of the subs as well as to the homeowners. I know from experience that subs and customers

don't always pay attention to these charts, so I also make up a typewritten chronology and include it with the chart (Figure 2).

We call every contractor at least a week before their starting dates to confirm that everyone is on schedule. The vast majority of the time we make our deadlines, but if we do fall behind, we let them know as early as possible so they can plug the gaps. We choose subcontractors who are committed to working with us and being part of our team. When delays happen, they're usually understanding, because they know that when they fall behind we will bend over backwards to work with them.

Everything ready in advance. To keep subcontractors happy and productive, our project managers make sure all preceding work has been done, the job site's been cleaned up, and all the materials that we've agreed to supply are stocked on the site before the subs arrive. We make sure the subs have all the installation information and rough-in dimensions they'll need, and we listen to any other requirements they may have and try our best to meet them.

We also try to anticipate all their questions and educate them in advance about job conditions they may not be expecting. If we uncover cast-iron drain pipe during demolition, for example, and the plumber expects PVC, we'll notify him; if we discover rotten floor joists, we'll call the framing contractor; if we find a bag full of money . . . well, that hasn't happened yet.

While we depend on the expertise of our subcontractors in helping our customers make informed choices, we prefer to take responsibility for all customer choices — products, fixtures, colors, and so on. This way we know that all decisions will be made and special orders placed well ahead of time. We don't want to find out on the day the tile is due to be installed that it's on back order.

Job-site management. We use great subs, most of whom we know personally, so we don't need to micro-manage them. The project manager keeps a record of everything that happens on the job, including what the subs are up to, by filling out a Daily Job Report, which is added to the Job Log book (Figure 3).

We rarely have a problem with the quality of a subcontractor's work. The subs we use take pride in their work; plus, they want to get paid and do more business with us. When there is a problem, letting a sub go is the last resort. Instead, we talk things over to find out what's wrong and how it can be improved. Subs do fall

behind from time to time, however. When that becomes a problem, we'll ask them to put more manpower on the job. If the sub is a sole proprietor, we may break up the job and bring in another contractor to help.

Change orders. Our jobs tend to grow and change orders are common. To keep things moving along, our project managers deal directly with the affected subs and the customers to define the scope of work, figure up a price, and get approval. Our subs work hard to fit changes into their schedules, but when that's not possible, we may bring in another contractor to help.


Punch lists. Our regular subs are too conscientious to stick us with their mistakes and loose ends, but we don't let anyone pack up and leave before we've done a thorough walk-through together. When we do get a punch list, we call back the responsible parties and they take care of it. At the end of a big job, there are always a few loose ends and more than a few additional requests ("While you're here, could you . . ."). For these things we've got two options: If the list is short, the project manager will put on his tools and take care of it himself; if it's a long list, we'll hire a sub for a day rate.

Keeping egos in check. We're all carpenters in this company, and we've learned that managing carpentry subs presents a challenge we don't encounter with other trades. When we work with skilled plumbers or electricians, we naturally defer to their expertise and they defer to ours. Not so with other carpenters. They have their own opinions about the design of the building or the methods of work. Sometimes their insight can be invaluable; other times it's disruptive. The trick for us is to put our egos aside and know when to listen to them and when to be insistent.

Room for Improvement

Like everything else in this business, subbing out carpentry is a work in progress. We know that productivity suffers whenever our project managers have to put on their tools, so we are strongly considering adding a "floater" to the staff. For this position, we envision a carpenter who can travel between jobs to put out fires and tie up loose ends.

To make it easier for all the project managers to work together, I've started to compile a master schedule that will combine the Gantt charts for all of our current jobs with the schedules for each of our subs. This would enable them to



Daily Job Report

Name: <u>Roger</u>		Job Name: <u>Johnson</u>		Date: <u>8/24/98</u>
TIME:	WORKED ON:	EXTRA?		
7:00 - 12:30	#500			
1:00 - 4:00	#500			
<hr/>				
Subcontractors	People/Hours	Work Description	Extra?	
Keyes N.A.	2/8:00-3:00	Pressure test radiator/exhaust ducting		
Rullie Plumbing	2/1:30-3:30	Fixture installations, 2nd & 3rd floors		
Anderson	1/8:00-3:30	Repair 6 window sills: front-1st & 3rd floors	X	
Keyes Electric	2/8:00-4:00	Install light trims/panel work		
Home Systems	1/9:00-2:00	Program phone system		
Payne Bouchier	4/7:00-3:30	Trimwork: garden level/hardware: 2nd floor		
Bell Glass	2/8:30-3:30	Install shower enclosure/mirrors		
Discussions/Instructions/Change Orders				
Dave from Home Systems will meet w/homeowner Sat. AM to give tutorial sub-zero to be delivered 8/26, will call trucker				
Deliveries/Pickups				Check No.
Cooktop, compactor, dishwasher, wall oven arrived				
Visitors to the Site Purpose				Time In/Out
David Beal		Meeting w/carpet installer & homeowner		12:30
<hr/>				
Injury Report				
Employee	Type of Injury	Accident Description	Time	
<hr/>				

RB Thomas
Project Manager Signature

Figure 3. To keep track of all of the details that come with managing multiple subcontractors, each project manager fills out a Daily Job Report, which is added to the Job Log book.

know at a glance who's working where and when. More important, this will let them know when a sub needs to finish up and move on to another job — especially when it's another one of our jobs.

Lastly, we're considering putting together a book of basic standards to inform all of our carpentry subs about procedures and specifications we'd like them to follow, like using biscuits to join casings and where to position butt hinges on a door.



Michael Touzjian is production coordinator with F. H. Perry Builder in Hopkinton, Mass.