

Subcontractor Management

Managing Subcontractors (Back to [Table of Contents](#))

Managing subcontractors begins with the selection of the right company or supplier for the right job. The ideal selection process is presented here understanding that it will not always be possible to accomplish because of time constraints, availability of subcontractors in a given area, owner or designer preferences, preferences from top management, price constraints and many other reasons. It should go without saying that selecting the wrong sub for any reason has the potential for serious consequences. Many losing projects for GC's and the other subs have resulted from the non-performance or failure of one sub on the job. Needless to say it effects everyone so prudence dictates that careful selection is important, even critical.

The greatest potential for success is when the size of the contract to be let is the median size or less of projects in the subs history of five years or more. As projects approach the size of the largest project a contractor has performed they can be defined as a greater challenge for that organization than projects the size they consider median for them. By definition they have more experience with their mid-size work and it present a far less challenge for them to finance. To test this logic consider how you would feel about awarding a project larger than the sub has ever completed before—say twice as large. If that concerns you, and it should, how about 50% larger than or as large as anything they have ever done before. Size of project has serious risks associated with it.

For a more detailed study of this look up “Growth Risks” in this manual. The data suggests least risk at median size so as the size approaches the largest to risk increases. It is assumed that readers will push this limit and prudence will dictate how far.

Obviously the sub or supplier should have considerable experience in the exact type of work involved and be able to demonstrate that that to your satisfaction. This will present a greater challenge when working in an unfamiliar area with unfamiliar subs. How you accomplished this is dependent on your experience and skill sets. Sufficient to say that just because a contractor goes after a particular job, does not mean they are qualified to do it or have the financial capability to man it and finance it.

Size and type of construction will impact the likelihood the contractors will perform in accordance with your schedule. The best way to check that is through prior project performance which is time consuming and may be difficult to accomplish in available time. The closer the project is to their type of work in the median range of their experience the more likely they understand schedule requirements. What you can't know and they may not is what their work load will be during the life of your project.

It is as difficult to discover in advance the level of cooperation you can expect from an unknown contractors. It would be nice to know if they are known for working well with other subs, pay their suppliers on time, chance change orders, demand early payment and many other “cooperation” issues. Checking with prior owners or GCs is difficult and time consuming and time constraints matter.

When the performance risks are considered the median size and experience with the exact type of work begin to make more sense. Presumably a contractor will find it easier to manage his mid-size projects than the largest one ever attempted; have equipment available and be able to accelerate a phase of the work if that became necessary. There are simply fewer challenges when the project is among the average of what they do every day.

Managing subcontractors is an important component when you have the right subs for the job and critical is one or more is struggling. What is lacking for the sub new to your organization is their level of expectations. If a sub knows what is expected before the work commences they are better prepared to meet your expectation or to deal with any objections up front. I strongly recommend that each firm develop a subcontractor policy and provide it to subs pre-construction and even better pre-bid. It makes it easier for your field supervision management to lead and coordinate appropriately, and perhaps more important, consistently. A major complaint from subs is that they are often treated and managed very differently from project to project with the same contractor. Efficiency and productivity are drastically affected by consistency in managing and supervising the work. In this regard a sample subcontractor management policy is below. It is an example that can be expanded or reduced to suit individual purposes. I strongly recommend that some form of company-wide subcontractor management policy be instituted in every Contractor of the Future.

The bedrock of subcontractor management is to recognize and expect your subcontractors to make a profit and let them know you care about them. If that is not the case then a sub policy should not be undertaken. The introduction of the policy is for both your firm, your employees, the subs, designers, owners and others. This is not a “secret” policy and depends on transparency for the parties concerned.

The second part of the policy is part of your corporate policies such as an employee handbook and is therefore for internal use. Not secret, but not as widely distributed. It explains and teaches our supervisors and managers what the firm expects and is a “How-to” manage our subs and suppliers. It particularly addresses the equal treatment of subs and the necessarily strict coordination of the various companies involved.