

# SAFETY FIRST



WITH TAMMY K. CLARK



## Construction Headaches: Owner-Supplied Contractors (Part 1A)

Last month we wrapped up the first of the "Construction Headaches" series topics. This series is designed to address the most common frustrations construction professionals are dealing with in this fast-paced, high-stress industry today, and hopefully provide some helpful ideas and solutions for dealing with these issues. The first in this series was titled, "Subs of subs of subs", and dealt with how to get compliance from 2<sup>nd</sup> and 3<sup>rd</sup> tier subcontractors on our projects. Access the 3 articles in the last series [here](#).

Continuing on with this series, I am introducing a new topic that is frustrating every construction professional working on commercial projects today, in particular site Superintendents who are given the responsibility of overseeing and managing the entire project, and everyone working on that project. This is the topic of owner-supplied contractors. There is a growing trend of owners hiring contractors outside of the GC/CM contract, but the construction industry as a whole must get in front of this dangerous trend and stop it. Everyone is talking about it, yet it is getting worse. So how can each GC/CM firm do their part to effect true change and reverse this concerning trend? This is the focus of this month's new series.

For starters, let's talk about the "why"

behind this issue. Why is it that owners are hiring GC/CM firms to manage their projects, and then turn around and directly hire several individual trade contractors outside of the GC/CM contract? It comes down to one thing, as it always does in this industry: Money. *Owners erroneously believe they will save money by directly hiring individual trade contractors.* Any construction professional will tell you this is simply not true. But again, "why"? Why will it actually cost them *more* in the long run? Let's break it down and examine the issue from the owner's perspective in order to clearly understand where this trend originated, and how we as an industry can stop it. Once we understand it from a "big picture" perspective, we can address it with our clients pre-construction, and provide them with a polished, professional, highly-educated and convincing pitch. If you can effectively convince the owner that

hiring their own contractors outside of the GC/CM contract actually puts them at-risk for several potential problems, they will be much more likely to go with your firm and trust you with the entire project, including every trade involved with the project. Until you understand why this is happening, however, you will not be able to effectively convince your clients that this trend is counterproductive to a safe, efficient, lowest-cost, high-quality product and outcome. So where do we begin? Let's look at a common direct-hire trade closer.

One common direct-hire trade is roofing. An owner believes they will save a little money by hiring a roofer directly, over paying the roofer's higher bid fee wrapped up in the bid package from the GC/CM firm. The trade contractor wants the repeat, large-scale work from owners, so they will give the owner a discount for a "good" contract. The owner does not understand the construction process, therefore, does not realize this is actually *not* more cost-effective in the overall project scope. Because they don't understand this, they are hiring more and more trades outside of the GC/CM contract, causing severe disruption in scheduling, safety, compliance, and their own *costs!* There is much more to discuss with this issue, so stay tuned next month as we dig into it even deeper!



Tammy K. Clark is a construction industry Safety & Quality Consultant with over 20 years experience as a business owner, consultant, educator, and speaker. Tammy has worked with renowned clients nationwide. She is a member of ASSE, former Chair for the NAWIC National Safety & Health Awareness Committee, and was nominated as one of the Grand Rapids Business Journal's 50 Most Influential Women. You can contact Tammy at [tammy@tammykclark.com](mailto:tammy@tammykclark.com) or visit her website: [www.tammykclark.com](http://www.tammykclark.com).