BUILDLOGIQ

A private local circle for owner-led contractors

BUILDER INTELLIGENCE SERIES

BI Positioning 01

Beyond the Bid

A Contractor's Framework for Evaluating Subcontractors

Before, During, and After the Job

Published by BuildLogIQ Group, Inc.
Orange County, California
buildlogiq.ai

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What's in this paper

EXECUTIVE SUMMARY

The bid is only what they charge.

A subcontractor's proposal tells you what the company intends to charge. It doesn't tell you what the company will ultimately cost.

The true cost of a subcontractor includes the quality of its work, the reliability of its schedule, the accuracy of its billing, the strength of its supervision, the speed of its communication, and the amount of management attention it demands to keep it moving. That last one is the hidden cost most GCs never bid.

A low bid can turn expensive through missed scope, thin staffing, rework, delays, unsupported change orders, safety incidents, and incomplete closeout. A higher bid can prove economical when the subcontractor performs as promised, catches problems early, and protects the project around it.

That's why subcontractor selection isn't a single purchasing decision. It's an operating discipline. It starts with prequalification, continues through bid evaluation and project performance, and ends with a documented post-job review and classification.

This paper presents a practical framework for making that discipline repeatable.

FRAMING

The bid is only the beginning.

Contractors often pick subcontractors using three primary inputs:

- Price
- Availability
- Prior experience

All three matter. None is sufficient by itself.

The lowest bidder may have missed scope. The available bidder may be available for a reason. The subcontractor that performed well three years ago may now have different leadership, different field supervision, different financial capacity, and different workload.

The better question isn't:

> *Who gave us the best number?*

It's:

> *Who can deliver the complete scope, at the required quality, within the schedule, without transferring unmanaged risk back to us?*

That question changes the evaluation. It forces you to look beyond the proposal at the company, the people, the assumptions, and the demonstrated behavior behind it.

THE THESIS

The hidden cost: management attention.

Before the framework, the thesis.

One of the largest costs of any subcontractor never appears in the subcontract. It's the time the general contractor spends compensating for weak performance:

- Rebuilding schedules
- Chasing submittals
- Correcting invoices
- Resolving scope disputes
- Finding missing materials
- Managing rework
- Answering customer complaints
- Completing closeout
- Mediating between trades

Two subcontractors can finish a project with similar financial results while consuming dramatically different amounts of management attention. That difference matters because your management capacity is finite. Every hour spent rescuing one subcontractor is an hour unavailable for the customer, the team, or the next project.

A complete evaluation asks:

> *Did this subcontractor create management capacity, or consume it?*

The best subcontractors do more than complete their scope. They make the entire project easier to run. That's the true measure. Everything that follows is how to identify who does it and who doesn't.

PART ONE

Prequalify the company.

Prequalification isn't paperwork collected to satisfy an insurance requirement. It's the first attempt to determine whether a subcontractor can carry the work being considered.

1. Evaluate financial capacity

A profitable company can still lack the cash to perform a project.

Subcontractors have to fund payroll, materials, equipment, insurance, and lower-tier subcontractors well before receiving payment. Retention and slow collections deepen that burden. A company can look busy and successful while operating within a few weeks of a cash crisis.

Scale the financial review to the size and risk of the package. Relevant information may include:

- Annual revenue
- Working capital
- Current backlog
- Accounts-receivable aging
- Banking relationship
- Credit and supplier references
- Bonding capacity
- Largest projects completed and currently underway

The point isn't to eliminate every company with a weak balance sheet. It's to understand the risk before awarding the work.

A subcontractor can still be usable with controls: joint checks, material verification, smaller packages, payment bonds, or more frequent monitoring. What matters is that the risk gets identified up front, not discovered in the middle of the project.

Payment terms are risk levers, not just contract clauses. Retention rate, pay-when-paid versus pay-if-paid, net-30 versus net-45, and how quickly you actually cut checks all shift risk between the parties. A subcontractor with 10 percent retention and a slow-paying GC upstream is running a different business than one with 5 percent retention and fast payment. Some risk you price into the contract. Some you control by writing shorter terms or joint checks into it.

2. Match the package to demonstrated experience

Years in business don't equal relevant experience.

A subcontractor may have operated successfully for twenty years without ever completing a project like the one being considered. Evaluate whether the company has performed work with comparable:

- Scope and technical complexity
- Contract value
- Schedule
- Occupancy and phasing conditions
- Documentation and owner expectations

The proposed package should also make sense relative to the subcontractor's typical work. Awarding a $2 million package to a company whose largest completed contract is $400,000 creates risk even if the company is technically capable. The issue isn't only the work. It's whether the subcontractor's systems, cash, supervision, and administrative capacity can support the jump.

3. Evaluate the actual project team

Companies don't perform projects. People do.

A strong corporate reputation can hide an inexperienced project manager, an overloaded superintendent, or a foreman who has never led work of comparable complexity.

Before award, identify:

- Project executive
- Project manager
- Superintendent or foreman
- Estimator
- Safety representative
- Closeout contact

Ask whether those people are committed to the project or merely listed in the proposal. Review their relevant experience, current workload, tenure, and availability. Whenever possible, name key personnel in the agreement and require approval before replacement.

A subcontractor can be qualified in general and still be wrong for a specific project because the right people aren't available.

4. Test capacity, not enthusiasm

Most subcontractors want the work when they're bidding it. The harder question is whether they can staff it when the work has to happen.

Ask:

- How many active projects are underway?
- What work starts immediately before this project?
- What work overlaps it?
- What labor is already committed?
- Which supervisors are actually available?
- How much work will be self-performed?
- Which lower-tier subcontractors will be used?
- Which materials are long-lead or constrained?
- What other bids could tip capacity if awarded?

Evaluate capacity at the time the work will actually occur, not merely at award.

5. Look beyond the safety statistics

Safety metrics matter, but no single number tells the whole story.

Review the standard indicators: Experience Modification Rate, recordable incident rate, lost-time incidents, regulatory citations, written safety program, training practices, competent-person qualifications, incident-reporting procedures, and corrective-action history.

Then evaluate behavior. Does the company plan its work? Does leadership participate in safety? Are incidents reported promptly? Are recurring problems corrected? Does the foreman take responsibility, or does safety belong entirely to someone in the office?

A polished safety manual doesn't protect a project if field leadership doesn't use it.

6. Ask references better questions

"Did they do a good job?" gets an unhelpful answer.

References are more useful when asked:

- Did they staff the project as promised?
- Did they maintain the schedule?
- How much management attention did they require?
- Were change orders timely and adequately supported?
- Did they communicate bad news early?
- Did they pay suppliers and lower-tier subcontractors?
- Did they finish punch work and closeout promptly?
- Would you award them another project?
- What type of project should you not give them?
- What would you manage differently next time?

The last two questions often reveal more than the rest.

PART TWO

Evaluate the bid.

Once the company looks qualified, the proposal still has to be tested.

1. Level the scope before comparing price

Bid totals don't compare until scopes are normalized. A bid-leveling review should account for, at minimum:

- **Base scope, exclusions, and clarifications.** What's in, what's out, what's conditional.
- **Alternates, allowances, and unit prices.** How the price actually moves.
- **Logistics.** Freight, hoisting, layout, engineering, permits, testing.
- **Site conditions.** Protection, cleanup, patching, protection of adjacent work.
- **Closeout and warranty.** What's included in the finish, not just the install.
- **Schedule assumptions.** Mobilizations, overtime, escalation, phasing.
- **Terms.** Taxes, retention, payment terms.

A $500,000 bid and a $550,000 bid aren't directly comparable if the first excludes $100,000 of work the second assumes.

The objective isn't to force every proposal into identical language. It's to determine the probable cost of complete performance.

2. Ask the subcontractor to explain the job

A subcontractor that understands the work should be able to explain how it intends to perform it.

Ask:

- How will the work be sequenced?
- What has to happen before mobilization?
- Which materials drive the schedule?
- How was labor productivity estimated?
- What work depends on other trades?
- Where are the drawings unclear?
- What are the three largest risks?
- Which owner or design decisions are needed?
- What would cause the work to cost more?
- What's specifically excluded?

The answers reveal whether the bid is based on a real execution plan or a quantity takeoff and a number.

3. Investigate unusually low bids

An unusually low bid may reflect genuine efficiency. It may also indicate:

- Missed scope
- Outdated material pricing
- Incorrect labor assumptions
- Incomplete document review
- Weak overhead allocation
- Cash-flow pressure
- Strategic underpricing
- An intention to recover margin through change orders

Don't reject the low bid automatically. Require the bidder to explain the difference.

A subcontractor that has found a better method can describe it. A subcontractor that has missed something gets less clear as the questions get more specific.

4. Evaluate exclusions as future costs

Exclusions aren't harmless notes at the bottom of a proposal. Each one represents work, risk, or responsibility that has to land somewhere.

Broad phrases deserve extra attention:

- "By others"
- "As required"
- "Standard access assumed"
- "Engineering excluded"
- "One mobilization"
- "No overtime"
- "No escalation"
- "Complete documents required"
- "Patching excluded"

Every material exclusion should be assigned, priced, clarified, or eliminated before award. Anything unresolved before the contract is likely to return later as a cost, a delay, or a dispute.

PART THREE

Measure performance during the project.

Subcontractor evaluation continues after award.

Waiting until the project is complete lets opinions replace evidence. The people who remember the problems may have moved on, and the final evaluation gets reduced to whether the subcontractor finished.

A simple scorecard creates a shared record.

Suggested performance categories

Category	Weight
Schedule and staffing	20%
Safety	15%
Quality	15%
Commercial management	15%
Field coordination	10%
Documentation	10%
Communication	10%
Closeout and warranty	5%

Use a consistent five-point scale:

Score	Meaning
5	Exceptional. Anticipates problems and improves the project.
4	Strong. Consistently meets commitments.
3	Acceptable. Meets minimum expectations.
2	Weak. Recurring intervention required.
1	Unacceptable. Creates material project risk.

The score matters less than the discipline of discussing performance using specific evidence.

Schedule and staffing

Evaluate whether the subcontractor:

- Mobilized when promised
- Provided the planned supervision
- Maintained adequate crew size
- Met interim milestones
- Secured materials on time
- Produced credible short-term plans
- Recovered from delays
- Coordinated with surrounding trades

Final completion alone isn't enough. A subcontractor can technically finish on time after forcing every surrounding trade and the general contractor to absorb its earlier failures.

Quality

Measure:

- First-time acceptance
- Inspection failures
- Rework
- Mockup compliance
- Installation consistency
- Punch-list volume
- Warranty callbacks
- Responsiveness to correction

The cost of quality isn't limited to material and labor. It includes supervision, schedule disruption, customer confidence, and management attention.

Commercial management

Evaluate:

- Change-notice timing
- Change-order support
- Billing accuracy
- Schedule-of-values quality
- Forecast reliability

- Lien-release compliance
- Payment to suppliers and lower tiers
- Avoidance of surprise claims

A subcontractor shouldn't be penalized for legitimate changes. It should be evaluated on whether those changes get identified, documented, priced, and communicated professionally.

Communication

The best subcontractors don't avoid bad news. They deliver it early enough to manage.

Evaluate:

- Responsiveness
- Accuracy
- Meeting participation
- Decision tracking
- Early escalation
- Field-to-office coordination
- Honesty about staffing, material, and schedule problems

A problem disclosed early is a project issue. The same problem concealed until it hits the schedule becomes a trust issue.

Closeout

Evaluate closeout as seriously as installation:

- Punch-list completion
- As-built drawings
- Operations and maintenance manuals
- Training
- Warranties
- Final inspections
- Permit closeout
- Final releases
- Warranty service

Many subcontractors perform well through 90 percent of the project and become expensive during the final 10 percent.

PART FOUR

Complete the post-job review.

The post-job review turns project experience into organizational knowledge.

Without it, each estimator, project manager, and superintendent develops a separate informal opinion. Those opinions leave when the employee leaves, and the company keeps re-learning the same lesson.

The review should answer:

1. Did the subcontractor do what it said it would do?
2. Did it tell the truth when something went wrong?
3. Did it protect the schedule, or merely defend its position?
4. Were its change orders caused by legitimate changes or weak estimating?
5. Did it make surrounding trades more effective or less effective?
6. How much management attention did it consume?
7. Did it finish as strongly as it started?
8. Would we trust it with a larger or more complex package?
9. Would we want the same project manager and foreman again?
10. Would we confidently introduce it to a valued client?

The final question is the strongest test. A subcontractor isn't truly preferred until you'd put your own reputation behind the referral.

PART FIVE

Classify the relationship.

Don't reduce the final decision to "use again" or "don't."

A more useful classification is:

Preferred

Consistently strong performance, dependable leadership, sound commercial behavior, demonstrated capacity. Invite early on appropriate work.

Approved

Acceptable performance with understood limitations. Include in competitive bidding for suitable projects.

Under Review

First engagement, or a return after a break. Assigned a small, low-risk package with tight scope and short duration. Reviewed at close before promoting to Approved or moving on.

Conditional

Usable only with defined controls:

- Smaller package
- Different project team
- Additional supervision
- Material verification
- Joint checks
- Payment protection
- More frequent progress reviews
- Formal recovery planning

Do Not Use

Material concerns about integrity, safety, quality, financial stability, payment practices, or performance that can't be reasonably controlled.

The record should also identify

- Best project type
- Maximum comfortable package size
- Geographic limits
- Strongest personnel
- Weakest capabilities

- Scopes to avoid
- Whether performance is improving or declining

That produces a usable subcontractor intelligence system, not a static approved-vendor list.

CONCLUSION

The lowest bid may still be the right bid.

Subcontractor selection often gets treated as a bid-day decision. In reality, it's a continuous risk-management process.

The strongest contractors run a closed loop:

1. Prequalify the company.
2. Normalize and test the bid.
3. Measure performance during the work.
4. Review the completed project.
5. Classify the relationship, then carry that knowledge into the next award.

The goal isn't to eliminate risk or always pick the highest-rated company. Construction rarely offers that luxury.

The goal is to make informed decisions with a clear view of the tradeoffs, and to stop paying repeatedly for lessons the company has already learned.

The lowest bid may still be the right bid. It just shouldn't be the only thing being evaluated.

FIELD TEST

Ten-question field test.

Before awarding the work, ask:

1. Has this company successfully completed comparable work?
2. Can it financially support this package?
3. Are the proposed project manager and foreman actually available?
4. Does it have the labor and supervision required by the schedule?
5. Has the scope been leveled against every competing bid?
6. Can the subcontractor clearly explain how it will perform the work?
7. Are all exclusions assigned and understood?
8. What do references say about problems, not just results?
9. What controls are needed to manage the identified risks?
10. Would we be comfortable introducing this subcontractor to our best client?

If the team can't answer those questions, it isn't ready to make the award.

ABOUT BUILDLOGIQ

BuildLogIQ is a private local circle for owner-led contractors doing $2M to $10M. Members meet monthly to solve operating problems, make better decisions, and build companies that depend less on them.

The room begins over dinner at the Builder's Table, runs monthly in the Circuit, and goes deeper in the 3-Deep. Align, our back-office service, runs alongside members whose books need the same operating discipline.

IN THIS SERIES

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