

## Internal Divisional Subcontracting: Like Swallowing Hemlock

**Executive Summary.** It sure looks good on paper, but internal subcontracting to another division can be a disaster. It can be like swallowing hemlock (if you don't know what that is, look at the QR code on the right).



*Cleveland Clinic's library excerpt  
on poisonous hemlock.*

**We do it all!** There are many construction companies and engineering firms that boast "we can do it all in house". Let's just focus on construction companies.

Treatment plant contractors say "we have a heavy group and a mechanical group – we'll give you a better price 'cause we can avoid markups from subcontractors and do it in house." Or building contractors say "we can build this building and bring in our civil guys to do the dirt and utilities and be cheaper and more efficient."

**That's true. On paper.** Did you have a sibling? Didn't you and your sister fight all the time? My mother had to drive my sister to the emergency room because I slammed her finger in a door and it was dangling by her skin. My sister returned the favor some years later by breaking a knuckle in my hand. So, who in the world thought that we'd be a good team to mow and weed whack the yard together?

The same can hold true for internal divisional subcontracting. They're siblings. The fact usually is that each of the departments/divisions excel at what they do when standing alone. But when these two siblings get together it can be catastrophic.



**It's the people.** I used to work for a large company that did grading, structures, mainline pipe, and heavy/civil. The pipe guys called us guys in the heavy civil group, the "heavy simple" guys. And of course the pipe guys were called the "sewer rats". Not exactly complimentary. That attitude translated to unharmonious labor relations, individualistic behavior within divisions, and ultimately project profit fade.

The main problem is that the accountability drops out. The relationship between a true general contractor and true subcontractor is much more



*A broken tibia. Nice.*

authoritative. If Division A has the lead and “subcontracts to” Division B, there is not much holding the subcontracted Division from just calling into the manager at Corporate and complaining about the other party being mean and selfish in their management of the work.

**My story.** When I was running my heavy/civil construction company, I used to provide pricing all the time to the multi-billion dollar contractors. They could do the work just fine on their own, but, they realized they would be money ahead to just sub it out and beat on me, or whomever they chose, to do this portion of the work. The one company that called me all the time for pricing on their building work is still one of the largest and most successful civil contractors in North America. I guess they just learned that not mixing the different divisions was more successful. I’m

sure they learned the hard way through the equivalent of a broken finger, or knuckle, like I did.

Work safe!