

Nonpayment Analysis for San Luis Obispo's Small Construction Firms

Connor D. Sullivan

California Polytechnic University San Luis Obispo
San Luis Obispo, California

The role of the small subcontractor often goes under-represented and over looked in the construction world, despite the high portion of the industry that is employed in this sector. This paper attempts to bring a problem that the small subcontractors face, non- and under-payment by its general contractor or owner. At what lengths will a small subcontractor with a very limited resource set go to receive missed payments? How often will they involve attorneys in disputes? Is the continued use of collections agencies worth the commission they charge? The number of subcontractors who will leave large sums of money un-contested roots from opportunity cost. The time commitment required for some is not worth the stoppage of labor and therefore wages for the sub's workers. Only upon the sum reaching amounts necessary for the sub to continue its operations will a sub contest the payment they've earned. This dooms the role of the small subcontractor to a simple maintenance of wages and income to ensure its workers and owner(s) can continue living than actual profitable and growing businesses. The question is raised whether this is complacency on the subcontractor's part or the role assigned to them by an industry as old a civilization.

Key Words: Litigation, collections, small construction firms, dispute resolution, nonpayment.

Introduction

In Cal Poly's current iteration of Construction Management instruction, the small subcontractor's point of view is glossed over. The purpose of this paper is not to argue the merits of teaching this point of view, or to attempt to institute some type of change within the department. Instead, the following paper attempts to discover what small firms can do and are currently doing to avoid a business failure. As stated in *Construction Business Management*, John E. Schaufelberger claims that roughly 50% or more of new construction businesses fail within the first twelve months. (Schaufelberger, 2005) It is reasonable to assume that the majority of those businesses that fail are small subcontractors, as they make up the majority of the businesses in the construction industry. Furthermore, it's reasonable to assume that the first priority of any contractor, regardless of industry, is getting paid, so they can pay their workers in a timely and predictable manner, as well as generate the revenue required to make owning and operating a business worth it. Hence the various contract clauses that ensure subs and suppliers get paid for their work and/or products. If it is the first priority of these business to get paid, this paper makes the assumption that the number one reason they fail due to them *not* getting paid. This paper will attempt to explore the various ways in which subcontractors handle forgone payment by their oblige, for any manner of reasons. Assuming that each subcontractor acts in a moral manner and is performing valuable work to a project, in a way that predicates their receiving of payment for their services, what must occur for an owner or general contractor to refuse payment to that sub? The answers for that appear to be limitless, from an insufficient quality of work performed, to an accident on the site et cetera.

Causation of a hypothetical payment's withholding is also important to this paper's scope, as obviously the subcontractor may be more or less likely to recover based on how much they are at fault in the dispute. However, quantifying fault as a percentage figure for each party is essentially impossible, therefore this paper will assume that a given dispute is at least *somewhat* the subcontractor's fault and at least *somewhat* the general contractor or homeowner's fault. For this paper's purpose, picture the following scenario: A subcontractor has performed work to the level of quality they believed was specified in the contract documents, as well as within the timeline provided. The homeowner/owner/general contractor/subcontractor is withholding payment for their work. How much money is worth the time requirement to obtain it? Is the time cost of chasing after all payments regardless of size worth the notoriety it produces?

The notoriety aspect of any give dispute is also important to comment on throughout this paper's content. As the study was done within the boundary of San Luis Obispo County, the contractors and one lawyer interviewed operate almost entirely within the county's borders, with few exceptions. The author assumes that maintaining a positive reputation is *more* important in a smaller pond than a larger one. The reasoning behind this being as follows: in a larger construction environment, with more diversity in project type and size, it would easier to get business as a contractor, regardless of any "bad rep" they may have garnered. Due to the larger number and diversity of projects predicates a higher demand for subcontractors, so therefore a subcontractor that has a less-than-trustworthy reputation most likely has an easier time finding work. This is not to say that reputation is meaningless in bigger cities and construction ecosystems, repeat customers are well known to make up the majority of most construction firms projects. However, in the small-town environment, with a more limited range of contractors to choose from, and small range and diversity of jobs to perform, it is not unreasonable to assume that having an untrustworthy reputation can majorly effect operations. In this paper's experience, for San Luis County, the most accessible contractors to reach were the general home builders. The is currently somewhat of a booming housing industry on the central coast, so these respondents likely have the most current information on the construction climate locally.

Of course, the phrase *positive reputation* may have skewed meanings to some contractors, as it does not necessarily mean that a given contractor is attending all of its clients' kids' little league game and Bar Mitzvahs. Community involvement is undoubtedly important in a reputation sense, as becoming active in the locality of the work a contractor is performing will garner more connections. For instance, if a contractor builds a home for one customer in a satisfactory manner, that customer can lead down a whole rabbit hole of friends and friends of friends ad infinitum. The manners in which a positive reputation is met can be limitless, but it is unarguably important to maintain one for both moral and monetary reasons.

Methodology

Interviews

Interviews with Daniel J. Knight, M.S, J.D.

Through a series of in person and over email interviews, the author utilizes Mr. Knight's unique combination perspective as both previously a subcontractor and currently a practicing lawyer. Mr. Knight has 15 years of subcontractor experience in SLO county, and his experience in dealing with the local community from this perspective is drastically different from the other two respondents. Following a decade and a half of subcontractor work, Mr. Knight powered through a whirlwind re-education process starting in 2010 with his high school GED, finishing off Law school in 2016. Mr. Knight's legal practice draws from his experiences in the construction industry, as it focuses on real property and construction law. Offering representation for subcontractors in construction defects, breach of duty, entitlements and more. Having been "builders first, then attorneys" the firm offers an empathy for its clients that is rare for small builders to encounter. With Mr. Knight's experience on both

the legal end and the subcontractor's end, it is important to split the various facets of this modern renaissance man into three parts. For this paper's purposes, the two important parts are the former subcontractor Dan Knight, and the certified by the California BAR Daniel J. Knight, J.D. For the author's purpose, the third facet of the grader of this paper will be taken into account via this paper's hopefully quality content. A specific questionnaire was designed for both facets of his experience.

Interview with Jacob Grossman, Coastal Community Builders INC.

Through an email conversation, Mr. Grossman answered the questionnaire found in the Appendix. Coastal Community Builders, INC. is a local development company working mainly in new residential construction. Having the experience of dealing on the other side of the subcontractor equation, that is, the company who pays them, Mr. Grossman has valuable experience in what leads each party to have a dispute over payment. Having worked for seven years at Coastal Community with over 20 projects under his belt. Having the general contractor experience to draw from is valuable for this paper's means, as Mr. Grossman and company are the very people the collection's agency would be going after if the sub-contractor utilizes one. Key to note prior to the results of his reply, the lack of or abundance of claims going to Coastal Community Builders should not be taken as the quality or lack of quality of the company's business practices, instead, it should be taken as the empowerment a subcontracting company feels in chasing a claim. Of course, if the number of claims becomes obviously excessive for the style of project performed by Coastal Community, then maybe the business should perform some type of an analysis on the relationships they maintain with their subcontractors and consultants.

Interview with Jim Moresco, COO, Midland Pacific Building Corporation

Mr. Moresco was also a respondent of the aforementioned contractor survey. Midland Pacific Builders are a residential company on the central coast, focusing on single family homes, although with branches in real estate development, planning and sales. Building a variety of styles, from "Tuscan style dream homes to Craftsman influenced family homes", it is reasonable to assume that Midland Pacific has worked with a variety of subcontractors, while also maintaining a somewhat healthy reputation on the central coast. The company started in 1975, with Jim's father, Dennis, graduating from Cal Poly with an architecture degree. Jim himself started working for the company in 2008, showing his eleven years of contracting experience on the central coast. Using the longevity of the company's lifespan as proof of its quality work, Mr. Moresco's questionnaire in tandem with Mr. Grossman's should give this paper the current lay of the land for contracting in the San Luis Obispo county area.

Risk Matrix Diagram

The risk diagram is a very common financial planning method, and each cell represents a given occurrence, with the Likelihood (0-100%) of the occurrence presented on the Y axis, and the Severity (low to high) of an occurrence on the X axis. This paper modifies the common risk diagram into a contractor specific risk diagram by replacing the Severity variable from low risk-high risk occurrence scale to a scale representing a contract's percentage of profit. For this paper's purposes, an "occurrence" is simply a dispute over payment. As an example, the occurrence represented by the uppermost left cell represents a given contracting company's 0-21% Likelihood to lose 0-21% of that contract's profit. Note the coloring is much more pessimistic in the Subcontractor specific diagram than in the shown example diagram. The reasoning behind this is any contractor who is told that they have up to a 20% chance to lose up to 80% of their contract's profit will most certainly view that as a major concern and not color code it as green, as the example diagram does. Yet still this coloring is fairly subjective, and different companies may assign various significances to each cell.

The manner in which each contractor responds to each given intersection of the Risk Management Diagram is the product of interest for this paper. Assigning a specific level of risk to an occurrence is worthless without a planned response to each risk. After discussion with the survey's respondents, this paper will locate the cell in which the risk

of non-payment lies. This diagram is a rough estimate device, as are most things that come down to probabilities; the author finds value in making the cerebral and amorphous into a somewhat concrete visual aide.

Recovery Methods Decision Chart

The recovery methods chart may be a useful tool for subcontractors to choose between the four options of dispute resolution researched by this paper. One of the final products of this paper is going to allocate each quadrant of this graph with an appropriate choice in recovery method, given the situation on the axis. The X axis represents the Amount of money there is to be recovered by the subcontractor, high on the positive half in quadrants I and IV, low on the negative half in quadrants II and III. How difficult the money is to recover is on the Y axis, with high in the positive half in quadrants I and II, and low difficulty to recover on the negative half in quadrants III and IV.

Results

Interviews

Interviews with Daniel J. Knight, M.S, J.D.

As a subcontractor, Mr. Knight reported that around 10% of all of his payment had some type of negotiation attached to it, whether that be from the client disputing the quality of his work or him marking up for extra time. He ran into true non-payments less than 1% of the time he performed work. On the usage of collection's agencies, he used them about 50% of the time for the non-payments, with a fifty-fifty chance of recovery. This means, that for the sum total on all of his projects, he had about a 0.25% chance of first using a collections agency, and then recovering the payment successfully. "The fear factor is huge, when anyone receives an intimidating looking email or phone calling that says 'pay us or we're going to court', they more than likely will pay." A downside to using a collections agency is the fee they charge, as Mr. Knight said was roughly "thirty cents on the dollar", but in his opinion also the best way to have a least a chance of recovery after the relationship has soured. As for using lawyers as a subcontractor, Mr. Knight reported that he did utilize the nuclear option a couple times, but this was for more of a reputation sense that will be delved into later in this section.

A somewhat expected consequence of handling disputes is the effect they have on relationships, unfortunately this is not a psychology paper, but a construction one. However, it is easy to imagine the effects of having a positive reputation brings. Sourcing from his experience as a subcontractor, Mr. Knight said the following on reputation "it's entirely critical, it's more important than making money. I'd pay for things regardless of fault to maintain a relationship with a client". Going into more financial detail, Mr. Knight said he'd get anywhere from 15-30% profit mark-up simply from proving himself as a trustworthy and quality contractor to a client, who would then refer him to yet another client. In the small construction ecosystem of the Central Coast, the power of the word of mouth seems almost entirely limitless. Mr. Knight said the majority of his clients were homeowners with only one job for him, so once he performed that job, those clients' friends wanted the same job done to their own home, and so on and so forth. Although in his subcontracting days, Mr. Knight maintained a small, surface level website and phone book advertisement, he said that these were simply mediums in which referred clients could find his contact information, not to broadcast his services to the general public. On how to maintain a positive reputation, Mr. Knight said that he'd keep a calendar full of his client's birthdays, their husbands'/wives' and kids' birthdays, send out some cards wishing all of them happy birthdays. Mr. Knight also stressed the authenticity of these, as keeping things strictly professional seems glib and superficial in a small town. "It's like getting paid to be a good person, which is almost everyone's dream."

On the flip side of this, the reputation of “don’t mess with me because I will come after you”, was eventually the stance Mr. Knight took for his subcontracting work. As in, for any given payment dispute, Mr. Knight would seek some form of retribution, leading his reputation around town to have more of a ‘don’t tread on me’ aura. Not that this necessarily led to a Machiavellian ‘better to be feared than loved’ type of arrangement, but more towards a fair work for fair pay agreement. This led into the tactics that lawyer Mr. Knight utilizes currently, and this position seems to be effective in the Central Coast’s construction environment. His legal practice receives roughly half of all its cases on arguments over change orders, but only about 5% of these cases see the inside of the courtroom. Consistent with his experiences using collections agencies as a subcontractor, merely the threat of litigation scares most business owners into settlement. Mr. Knight says, “It is a well-known and depressingly accurate aphorism that when it comes to litigation, ‘No one wins but the lawyers’”. The avoidance of involving lawyers is something that both the general contractors and the subcontractors strive for. The next question that logically follows this is: What leads a side in a dispute to eventually involve a legal method of recovery?

Mr. Knight says that not getting agreements into writing leads to informal conversations being mis-remembered by both sides, the very annoying he-said-she-said game. Most of his legal work is contract curating and refining, rather than arguing in a courtroom. With extra care taken in the specificity of contract wording, he believes that “95%” of all arguments of insufficient quality are meaningless and wastes of time. For example, if a contract says that “no more than reasonable warping of floor joists” is acceptable work, then the definition of “reasonable” should be made clear, and quantitative. This can be done by putting “1/4 of an inch per foot across its span” or something similar, so if the floor joist doesn’t meet that specific requirement, the sub will re-do the work, and if it does meet the specification, then they move on. It seems that proactively avoiding disputes prior to their actualization is much more effective than responding to them by throwing lawyers into the mix.

Interview with Jacob Grossman, Coastal Community Builders INC.

Mr. Grossman’s first point in his thorough survey response was that under- and non-payment is not the norm. “Maybe one to five times a project a sub or consultant will be under-paid.” He then lists the main reasons that such an occurrence happens. Firstly, the work was not performed as expected, whether incomplete or not to Coastal Community’s satisfaction. This ends up in one of two responses, the sub re-does the work and is fully paid, or they cut a deal to partially pay them for the sub-quality work. Second, the bank underfunding the draw for payment can happen, which is an issue with the bank, and not the subcontractor. This usually leads to working with the bank to get the money they need plus the money forgone the last month in order to properly compensate the subcontractor. It is annoying to the subcontractor, but is an understandable situation that it works itself out the majority of the time. Lastly, disputed change orders occur when the subcontractor or consultant wants more money for their services. Each case is different, so these are handled by negotiation with the sub or consultant. Mr. Grossman stated that in his twenty projects with Coastal Community, only “two or three claims go to a collections agency, and only one actually progressed”. The reputation factor of utilizing collection’s agencies is also mentioned in Mr. Grossman’s response, he says that “the sub just does not want to deal with it anymore and would rather pass it off to a collection and make them handle it”. Monetarily speaking, “it is probably doubtful they will get full payment and take the chance to recoup some”. The author interprets this as collections agencies are used as a shot in the dark method of recouping payment, the money isn’t worth the opportunity cost in time to chase after, so they may dump it off on a third party.

In Mr. Grossman’s experience, subcontractors involve attorney’s more often than collections agencies. “If personal negotiations fail, then it seems to me the next step for the sub is to have an attorney write a letter. Then if that fails it they may go to collection.” This is contrary to this paper’s assumptions on legal methods being the last resort, instead it seems that collections are the last resort. This make it seems like the letter from the attorney is somewhat of an empty threat most of the time. Mr. Grossman confirms this in the very next question by saying “Again, collection is usually a last step for subcontractors. It means that personal negotiations and re-work or revising of the contract has failed.” Another important point Mr. Grossman emphasized was the time aspect of these types of disputes. The negotiations “aren’t overnight processes”. He added that the turning to legal/collection methods of recovery shows that “one party is quite upset” and that it essentially ends the working relationship between the two

parties. Overall, this paper can take away from Mr. Grossman's response the emphasis on time as a key factor in any sort of dispute resolution, whether that be the time it takes to negotiate out a settlement, the lack of time in the case of using a collections agency, or the time in hours one would have to pay an attorney for their services in drafting a letter. A re-prioritizing in methods of recovery raising the use of lawyers above the use of collections agencies is necessary, as it places the litigation option into more of a threat role than a legitimate recovery method.

Interview with Jim Moresco, COO, Midland Pacific Building Corporation

As Mr. Moresco and Mr. Grossman are in the same position in the local building industry their responses were very reinforcing of each other's views. Mr. Moresco has "never been contacted by a collections agency" on behalf of a subcontractor working for Midland. For the less than "5% of invoices" in which a subcontractor is not or under paid, Midland Pacific only holds back payment when they are 100% justified in doing so, "thus the subcontractor is 0% justified in attempting collection". Mr. Moresco emphasized the relationship aspect of including third parties, with the quote "subs know if they bring in third parties...there is a very good chance they will never work for us again". This shows the severity in which the working relationship has to reach in order for a subcontractor to seek out payment they are owed with the assistance of a third party. The small-town environment only serves but to increase the severity of the cut business ties, as it may lead to lost work from other contractors. Mr. Moresco has also never seen a subcontractor involving attorneys for collecting payment, with the terse "0%" as an efficient reply to that question.

Risk Matrix Diagram

An issue faced by the interview was the transferring of the rather conceptual and indeterminant model of a risk matrix diagram and assigning real life events to given cells. The diagram was received as it was intended to be, a visual aide in decision making. It did not necessarily possess the intended depth and functionality that the author was hoping for, but again, it served its original purpose. With the information collected from Mr. Knight, Mr. Grossman, and Mr. Moresco respectively, this paper places the risk of under- and non-payment on the 0-20% Likelihood row, and straddling the first two columns, as in 0-40% of contract profits lost. With the occurrence of under- and non-payment placed rather low on both the Likelihood and Severity axis', contractors and subcontractors should take preventative measures to avoid a dispute, to simply avoid them, rather than having to deal with them in any manner. Again the loss in revenue is not the biggest hit when having a dispute, it really is the potential loss of a working relationship with the other firm.

Recovery Methods Decision Chart

Somewhat of the final product of this paper's content, the recovery methods decision chart is essentially an extension of the risk matrix diagram. Designed to be used by subcontractors once a payment dispute has arisen, what are the methods available to a subcontractor to recover some, if not all of the payment they are owed? With the Difficulty of Recovery plotted on the Y axis, the Amount to be Recovered on the X, the graph is divided into four quadrants. With the information collected by interviewing Mr. Knight, Mr. Grossman and Mr. Moresco, this paper placed the recovery methods in the following manner

Quadrant I represents the turning towards a litigation form of recovery, meaning suing the company that owes money to the subcontractor. From common knowledge, this is seen industry wide as the very last resort for dispute resolution. Yet in Mr. Grossman's experience it can seem to be placed above the use of collections agency, as a form of an empty threat. Mr. Knight would disagree with such an opinion, as he believes the use of legal team to be the last option. In the manner that lawsuits arise and are handled by each party, it is a very us versus them narrative,

with little to no room for compromise. In a professional setting, a lawsuit is undoubtedly a precursor to cutting off any and all business relations, and thus omitting the chance of future collaboration between the two firms.

Quadrant II is where a dispute would simply be let go by the subcontractor. The low Amount to be Recovered is simply not worth the Difficulty, and thus best forgotten about. The relationship after such an occurrence is somewhat of a grey area prior to the conducted survey, as what would a subcontractor do if they knowingly let a payment go. Why would the subcontractor want to work for a general contractor who has gyped them out of their due profit, whether on purpose or due to negligence? In a small town, it would logically follow that the power disparity between subcontractors and general contractors lies more heavily in the favor of the general contractors. As the amount of work is more limited in a smaller construction environment, it seems that subs blacklisted by their local GCs would have a hard time finding consistent work, especially if the GCs have relationships with their competition. Therefore, it seems to the author that subcontractors will more than likely have to continue working with the GCs that they have some payments in the “Let Go” category. Mr. Knight’s experience is consistent with this belief, as he said in his response, he’d pay for a dispute to go away just to maintain the working relationship he had with his obligee.

Quadrant III represents the use of collections agency, as the simplicity behind using one implies a very low opportunity cost in time spent on the dispute. Filling out a form or two, sending an email full of the pertinent information on the dispute in Daniel Knight’s experience takes “10 to 20 minutes” and then “forget about it and move on”. Mr. Knight’s view as the subcontractor here shows that sometimes the opportunity cost of lost time and labor is simply not worth the implementation of lawyers. From Mr. Grossman’s and Mr. Moresco’s experience, this rare occurrence is just a final shot in the dark way to try and recoup something from their work. Again, the relationship afterward the dispute is somewhat of a grey area, except the ball is more in the GCs court. How likely would a GC want to use a subcontractor again that attempted to use collections on them?

Lastly, Quadrant IV is the informal negotiation sector of the graph, and by this paper’s predictions, more than likely the most commonly used method of dispute resolution. Confirmed by all respondents, this method is quick, clean, paperless and keeps a healthy working relationship with both parties. The better question would be why companies would not to use informal negotiations. The most obvious reason would be that a mutual agreement isn’t reached by negotiations, and thus other methods are necessary. But one would hope that the usage of third-parties can be entirely avoidable, for increasingly few contractors enjoy spending extra time on arguing over money.

Interestingly enough, newer methods of dispute resolution such as mediation, arbitration and the like were not included or even mentioned once by any respondent. That could have been an omission on behalf of the author or, the more likely even was that none of the representatives have used those events.

Significant Findings

Although in the author’s opinion this is a great, high masterpiece of construction industry undergraduate research and writing, its research methods could be expanded upon by a more capable and resource rich company or individual. An issue that arose numerous times while attempting to contact subcontractors was their concern with identity theft. After the author’s first round of emails and calls to roughly 20 contractors in SLO, zero responses were returned. After the second, one was returned, and as the wording of the email implied, this contractor would most likely to remain anonymous. The rather terse reply read:

“We make certain to pay all of our sub-contractors. If there is question as to overages, we make it fair for everyone. We are a smaller company, and therefore do not engage in any of the games that are found in the larger companies/projects. The most important thing is that everyone gets paid fair compensation for work performed. Best of luck with your project.”

The reasoning for this rather on the nose message could be for numerous reasons, but primarily, the author believes this is the contractor's concern for a kind of information scam, as if the email was written by a lawyer in disguise attempting to extract information from the contractor in an underhanded way. In the modern-day schema of things, this is fairly understandable, with the rising proportion of calls received that are from total strangers in countries the receiver hasn't been to, yet somehow with the same area code. More and more emails seemed to be sent directly into the spam folder, and for good reason. According to the 2016 LexisNexis True Cost of Fraud Study, "Merchants in the United States are losing approximately \$190 billion are losing to credit card fraud – much of it online." Perhaps some research is necessary for fraud's impact specifically in the Construction industry, but the scope of that exceeds the resources and time commitment of undergraduate research, at least, this undergraduate's research.

Conclusion

This paper discovered one thing that can be reasonably utilized by any construction firm, regardless of size. That is the use of pre-construction legal services in order to completely avoid any type of argument over quality of work. Specificity is absolutely vital in this work, as phrases like 'reasonable' just lead to more she-said-he-said style arguments that could possibly delay the project and lead down a rabbit hole of misinformation and misunderstanding that may end up with a severed business relationship. The second thing this paper discovered is the importance of reputation in the smaller construction environment, which unfortunately seems near impossible to study quantitatively. As firms that have lost work through a bad reputation would simply flounder in obscurity, and not be doing any work to maintain a business presence, it would be almost impossible to find and submit surveys to them.

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Appendix A- Risk Matrix Diagram



Appendix B- Recovery Methods Diagram

Recovery Methods Decision Chart

<p>Difficulty of Recovery (Y)</p> <p>II. Let Dispute Go</p> <p>The opportunity cost of lost labor and time is not worth the low monetary value recovered, focus on acquisition of future work.</p>	<p>High</p> <p>I. Legal Pursuit</p> <p>Less than 5% of surveyed projects involve resolution through legal means. Usually ends working relationships. Last resort for both parties.</p> <p>Expense of Recovery (X)</p>
<p>Low</p> <p>III. Collections Agency</p> <p>Only used as attempt to maintain a reputation in the local area, not great for maintaining professional relationships.</p>	<p>High</p> <p>IV. Informal Negotiation</p> <p>Vast majority of disputes handled informally, avoids lost wages, maintains relationships and most time effective recovery method.</p> <p>Low</p>

Appendix C- Daniel J. Knight Interview Questions

Subcontractor Dan

1. How important is reputation for subcontractors to maintain?
2. Aside from performing quality work, how can subcontractors successfully maintain a reputation?
3. As the subcontractor, how many times have you had to deal with payment disputes?
4. Have you ever utilized the services of a collection's agency?
5. If so, how successful was this?
6. Before you were a lawyer, did you ever utilize the services of one for a construction payment dispute?

Lawyer Dan

1. As a lawyer, what portion of the cases you receive are payment disputes?
2. How many of these disputes settle?

Appendix D- Jacob Grossman & Jim Moresco Interview Questions

1. How often do subcontractors run into issues of non- or under- payment?
2. When non- or under-payment occurs, how often do you feel they are justified in attempting collection?
3. How many subcontractors utilize the services of a collection's agency?
4. If so, how often does the company use those services?
5. If so, is it in a reputation sense or monetary sense?
6. If not, why?
7. How often do subcontractors involve attorneys for collecting payment?
8. If a company does end up in a legal dispute, how does that effect the working relationship with the other company/
owner?
9. What portion of subcontractor annual budget (if any) is allocated for use in disputes?