

## CLIENT ADVISORY

### GENERAL CONTRACTOR OR... CONSTRUCTION MANAGER?

It is indeed wonderful to be a wealthy philanthropist, thank you for asking. My current dream is to build and own the best baseball stadium for the Mudville<sup>1</sup> nine. However, even wealthy philanthropists have budgets - \$150 million is mine. I have committed to build the Mudville stadium and have sponsors clamoring for naming rights. So where do I begin?

#### Traditional Delivery System of Construction Projects

I have come to understand the usual method of building projects like mine is through the *design-bid-build* sequence. In this “delivery system,” the owner (that’s me) hires an architect to design the Mudville ballpark. I also must separately hire the general contractor (or contractors) to build the ballpark, usually on a fixed price contract, but only after I have conducted a bid process in which multiple contractors have provided me with their sealed bids for the project. I can also arrange for the architect to help on my project by inspecting the contractor’s work or assuring the work is in compliance with the specifications. One alternative to design-bid-build is to hire the architect to both *design and build* my ballpark – which is called a *design-build* delivery system.

#### What to Do!

Unlike some other people I know who have built some wonderful projects, I have absolutely no expertise in any aspect of construction. So, while it is helpful to know the general process, I still am not sure how to begin. And I want this ballpark to be my legacy – it needs to be built right! I want the costs to be within my budget, I want it built on time, and most of all I want the highest level of quality. Although some outstanding architects have been recommended to me, I am still not confident I can move forward, so I talked to a couple of owners who have built projects. One owner has suggested I speak to a construction manager – he doesn’t usually use a construction manager or CM, but thinks that if I talk with a construction manager, I might obtain the guidance I am seeking on my Mudville ballpark project.

#### A Fourth Member of the Team

Of course, I don’t have any idea what a construction manager does for a project. While I have heard the term, I have always assumed a construction manager is just another name for a general contractor. When I meet with a representative from the CM, she seemed to anticipate this – and began our conversation with a rough drawing of each of the members of a construction team – the owner, the architect (or designer) and the general contractor.

She added the construction manager as a *fourth member of this team* in the project – a team member with resources and expertise in construction that I do not have. In fact, she suggested that a

CM could already be involved in my project, in the early planning stages, providing me with independent advice and expertise from the *beginning* to the *completion* of the Mudville stadium (see Figure 1: Timeline on pg.3). She showed me the resumes of the CM team that would be assigned to me – personnel with expertise in planning, design, construction, scheduling and overall project management and control. In short, she tells me that as my construction manager, or CM, her firm will provide comprehensive management of the project, including time, cost and quality, from beginning to end.

#### Roles of Construction Managers

As it begins to sink in, she tells me that a construction manager, or CM as they are usually called, may have different roles, depending upon the project and the owner.

**Agency CM** In many instances, the CM role is to be an independent professional adviser to the owner on all parts of the project, managing the project on behalf of the owner from conception to completion. This role is usually called “Agency CM” (or “CM Advisor” by the American Institute of Architects) and does generally suggest the CM is acting solely in the interests of the owner and the CM’s judgment is not influenced by any monetary interest in labor or materials used in the project (see Figure 2 – Roles of Construction Team). However, she makes it clear that if I engage them as an “Agency CM,” I still need to hire an architect to design the ballpark and contractors to build the Mudville stadium as the “Agency CM” is not performing any design or construction – just overseeing the project. Payment for this CM role is usually on a fee basis.

**CM at Risk** This expands the role of the CM to not only providing professional advice to general contractor – including engaging subcontractors – for the purposes of completing the construction of the project. This role is usually called “CM at Risk” (or “CM Constructor” by the American Institute of Architects) as the CM has assumed the responsibilities of delivering the project at a guaranteed maximum price and thus the “risk” of completing the project on time and at a maximum price is now with the CM. She further explains to me that if the CM becomes a “CM at Risk,” the nature of our relationship changes during the construction phase – while the CM will act with my interests in mind, the CM will also act to protect its interests (see Figure 2: Roles of Construction

Team on pg.4). However, the CM is still performing professional tasks throughout all phases of the project.

## Conclusion

What becomes apparent to me is that a CM plays a very different role when compared to a typical general contractor. In fact, the Agency CM does not perform any construction; the CM at Risk does act as the general contractor, but is involved in the early stages of construction, including planning and design.

Contrast this to a general contractor in the "traditional" design-bid-build delivery system that is not involved until the planning and design phase are generally complete – the general contractor first learns of the details of the project in a request for proposal and specifications sent out by the owner.

Possibly more importantly, the CM provides a specialized level of knowledge, experience and expertise that most owners do not have, particularly for complex construction projects that require a wide array of skills to successfully manage to completion. The CM adds value by providing the resources and expertise needed to manage quality, cost, schedule, scope and risks associated with design and construction to help the Owner achieve its objectives.<sup>2</sup>

A CM may have the expertise to perform the following functions on behalf of the owner:

- Develop the project scope
- Assist in land acquisition
- Assist in permitting
- Assist in financing the project
- Cash flow management
- Cost estimating
- Cost and schedule control
- Contract administration
- Document control
- Construction inspection
- Quality control
- Value engineering
- Risk management
- Constructability review
- Contracting and project delivery systems
- Dispute avoidance and re solution
- Commissioning
- Activation<sup>3</sup>

I am proceeding with the Mudville ballpark with my CM guiding me all the way.

## What Are the Insurance & Risk Management Impacts?

*The role of the CM must also be placed in context from an insurance and risk standpoint; therefore, AmWINS is developing a second article, which will address such insurance issues as proper classification, rating basis, the need for professional liability insurance, and the CM E&O exclusion often used by insurers. Expect to see the second article within the coming weeks.*

<sup>1</sup> Ernest Lawrence Thayer ©, "Casey at the Bat" San Francisco Examiner, (1888)  
<sup>2</sup> An Owner's Guide to Construction Management – Assuring Project Success Under Any Delivery System, The Construction Management Association of America, Inc. © 2002  
<sup>3</sup> Ibid

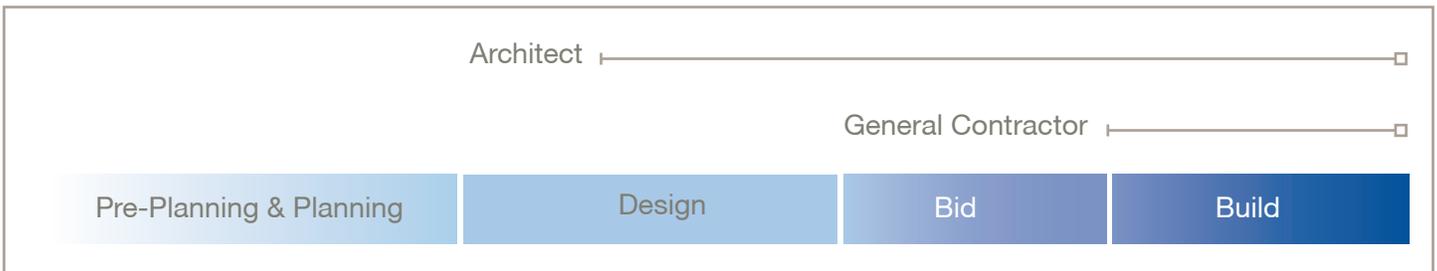
## About the Author

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## FIGURE I: TIMELINE

### GENERAL CONTRACTOR OR....CONSTRUCTION MANAGER?

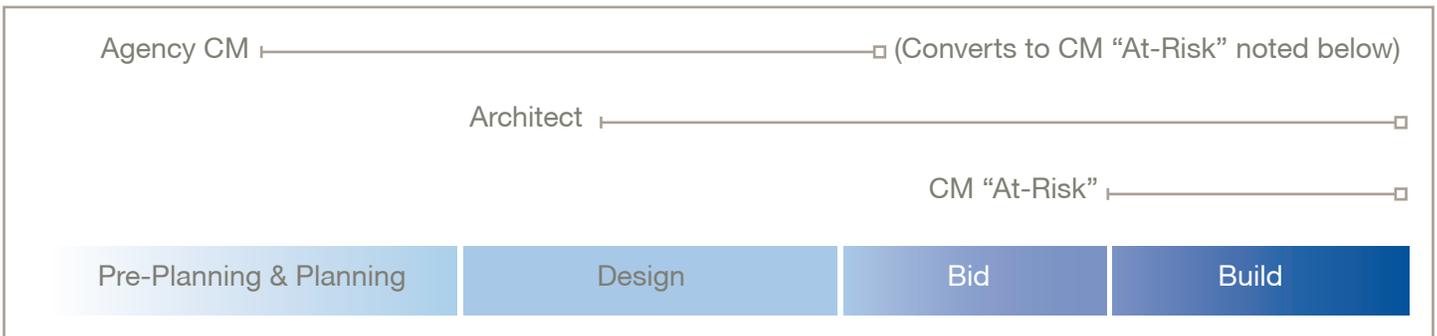
#### Traditional “Design-Bid-Build” Delivery System



#### Agency – CM “Design-Bid-Build” Delivery System



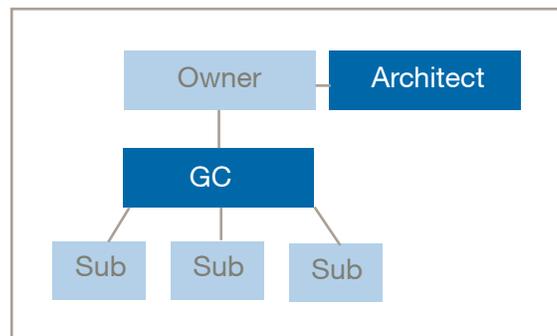
#### CM “At Risk” “Design-Bid-Build” Delivery System



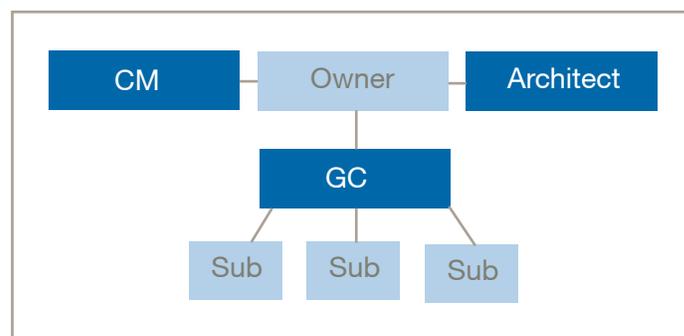
Note: This illustration is conceptual only. Actual arrangements vary greatly depending upon Owner, CM, and Project.

## FIGURE 2: ROLE OF CONSTRUCTION TEAM GENERAL CONTRACTOR OR....CONSTRUCTION MANAGER?

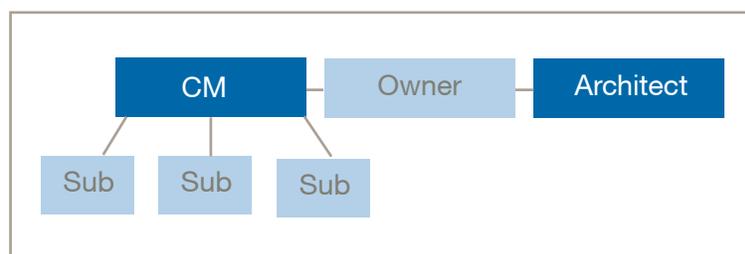
### Traditional Arrangement



### Agency CM



### CM "At Risk"



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