

Construction Management – “Management” vs. “Delivery”

Clarifying CM vs. CM At-Risk

By Michael Kenig, Holder Construction

Author’s Note: A few years ago, an article I wrote talked about the jargon in the construction industry and the problems created by not having a common vocabulary. People would be having discussions, words would be used, the same words would be heard, but the communication was not there because the understanding of the meaning of those words was different from one person to the next. The easy example of this is the term “Construction Manager.” How many variations and uses of this term have you heard? I thought the issue was slowly getting better, but I regretfully have to admit the situation has only worsened. All the focus these days on “Alternative Project Delivery Methods” has only added to the confusion. It is for this reason that I have written this article... to try as simply as possible to do my part to make some sense out of a subject that seems so simple, but is still so confusing.

“Go hire a CM,” someone suggests to you.

“We need to hire a Construction Manager,” the team agrees.

When we all hear someone say things like these, do we all “hear” the same thing? Are we all thinking the same thing? Probably not.

“What is a CM?”

If you asked ten people in the construction industry, “What is a CM?” you would probably get ten different answers! Since we do not have a common vocabulary in this industry where the same words mean the same thing to everyone (a key element of communication), confusion inevitably arises. Therefore, it is worth spending a little time defining our terminology, so that when the phrase “Construction Manager” comes up in conversation, we will all be “hearing” the same thing.

The term Construction Manager (CM) seems simple enough at first: it refers to the firm that is responsible for managing the construction, right? But wait, is the CM holding the trade contracts? Is he contractually responsible for the successful completion of the work? Is the CM guaranteeing the cost and schedule? Anyone familiar with the construction industry knows the definition of a CM is not this simple, and the variety of definitions and terms only seems to complicate matters worse.

So for at least the purpose of this article, the following two definitions are offered.

The CM is either:

1. A “pure” Construction Manager, (CM “Not At-Risk”), or
2. A Construction Manager At-Risk, (CM “At-Risk”).

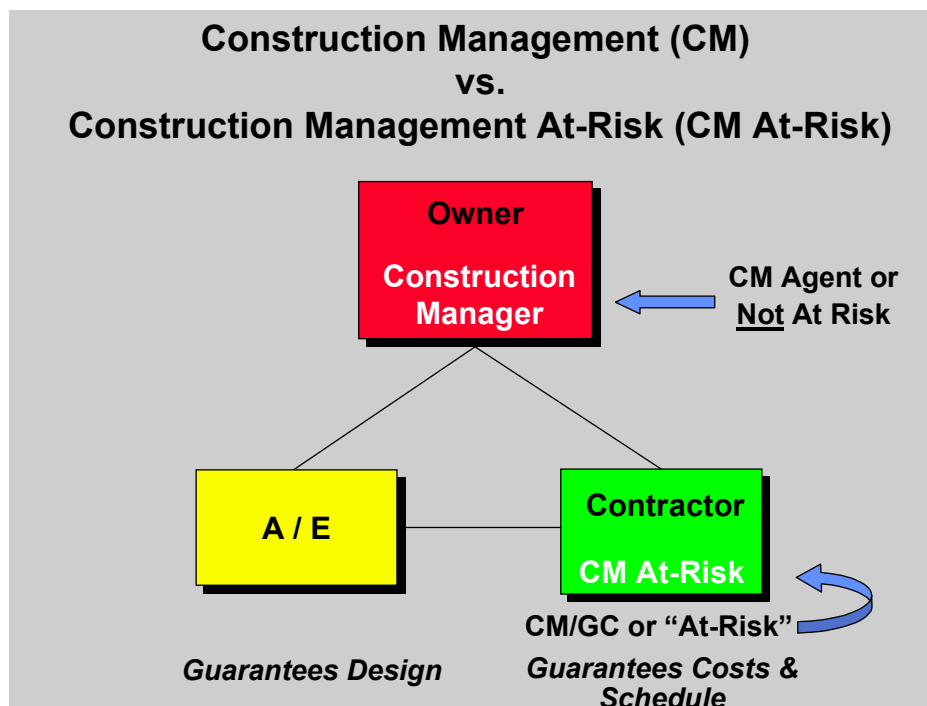
Simply stated, the CM is either at risk, or he is not. (All other variations of CM are just slight modifications of the responsibilities and expectations of the CM and do not change this fundamental separation into these two categories. For example, a “CM/GC” is essentially the same as a CM “At-Risk”.)

“Management” vs. “Delivery”

Is the CM “Not At-Risk” (CM Agency) a project delivery method? If the delivery you are referring to is the delivery of design and construction services, CM “Not At-Risk” is not a project delivery method! Instead, CM “Not At-Risk” is a project management (vs. “delivery”) method, a method of managing design and construction services. Therefore, a CM Agency or “Not At-Risk” could be used in conjunction with any project delivery method including Design-Bid-Build, Multiple Prime, Design-Build, or even CM At-Risk!

CM “Not At-Risk” (Agency) is not a project delivery method. CM “Not At-Risk” is a project management method, a method of managing (vs. delivering) design and construction services.

FIGURE 1. – CM vs. CM At-Risk



As illustrated in Figure 1, the CM is either up in the Owner’s corner of the triangle managing the construction process, or he is in the Contractor’s corner of the triangle delivering construction services.

Figure 1 also shows the three primary parties comprising the design and construction process... the Owner, the Architect, and the Contractor. On every project someone has to take responsibility for the design (typically the Designer) and someone has to take responsibility for the cost and the schedule (typically the Contractor). The easiest and simplest way to distinguish the CM “Not At Risk” from the CM At-Risk, is to answer the question, “Which corner of the triangle is the CM in?”

The CM “Not At risk” is up in the Owner’s corner (top) of the triangle and the CM At-risk is in the Contractor’s (lower right) corner of the triangle. There is no gray area, the CM is either holding the trade contracts and is contractually responsible for the successful performance of the work, or he is not. The existence of a guaranteed maximum price or a schedule guarantee may affect the amount of risk the CM At-Risk has, but he is still contractually responsible for the successful completion of the project. As for the amount of risk issue, a representative of the GSA may have said it best when he recently referred to the possible use of the phrase, “CM At-Low Risk”!

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CM Agencies (“Not At-Risk”) can be a very valuable part of your project team. It is not uncommon for an Owner – who may have a great number of projects at one time, does not have the in-house expertise, or does not have it available at the time – to hire a CM Agency to help manage a construction project. The CM Agency (“Not At-Risk”) would then be responsible for overseeing the design, providing quality assurance during construction, and most importantly, assisting the Owner in making the necessary decisions that are required to support the entire process. The CM Agency (“Not At-Risk”) may then help the Owner:

- Hire an Architect and a CM At-Risk
- Hire an Architect, complete the design, and bid it to General Contractors

- Hire a Design-Build Team
- Hire an Architect, complete the design, utilize a Multiple Prime (Trade) Contractor bid process, and hire multiple contractors. (Note: A Multiple Prime Contractor approach essentially turns the Owner into the General Contractor, using his CM Agency as his “contracted” employees to manage/coordinate the multiple contractors.)

Regardless of which project delivery method is utilized, it should be a separate discussion from determining which management method you are going to use. A topic for a future discussion could be a comparison of project management methods. Management methods such as 1) Owner’s “in-house” options (within the users group or operations unit OR by the real estate/facilities or procurement groups) or 2) “Third Party” options (including development managers, construction managers, program managers, etc.) could be compared and contrasted. There are pros and cons to each of these management options, and a future discussion could look at factors such as an individual’s experience with the chosen project delivery method, the overall project timeframe, and the availability of additional in-house resources to support the effort.

“CM or CM At-Risk”: Not an Either/Or Question

So often you hear someone say, “We are thinking of going with a Construction Manager, we just haven’t decided whether to go with a CM at risk or not at risk.”

You do not need to ask the question, “Should I go CM Agency or CM At-Risk?” This is not an either/or question. You are dealing with two different issues: one addressing how you manage a project, the other addressing how you deliver the design and construction services.

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I would recommend you first decide, “How am I going to manage the project?” Then, take up the issue of which project delivery approach is best for you. You may end up using BOTH, CM (for project management) and CM At-Risk (for project delivery)!

The day may come when the phrase “*Construction Manager*” will mean the same thing to everyone. Until then, however, when you hear someone use the phrase, be sure to ask them to clarify which “CM” they are referring to. Hopefully, they’ll know.

Michael Kenig is Vice Chairman of Holder Construction in Atlanta. He specializes in assisting Owners during the planning stage of their projects, helping them set their projects up to be successful. Michael has also written several articles on successful project delivery and serves on the Associated General Contractors Association’s (AGC) committee on Project Delivery. He holds a degree in Construction Engineering and Management from Purdue University.