



Owners Have  
**Options**  
to  
**Manage**  
the Construction  
**Process**

# CONSTRUCTION

# MANAGEMENT

When it comes to construction projects, few owners have the time, resources, or expertise to effectively manage the construction process from conception to completion.

Using an outside resource for construction management dates back as early as 1963 with the construction of Madison Square Garden in New York City. As the construction management field grew, two distinct construction management specialties evolved: the agency construction manager and the construction manager-at-risk. In this article, Bill Morgan, owner of Eastern PCM, and Mike Weidner, owner of Weidner Construction Services, share their perspectives, the distinctions of each specialty, and the overall benefits to engaging professional construction management services.

BY BILL MORGAN AND MIKE WEIDNER



## A CONVERSATION

with Bill Morgan, Eastern PCM and Mike Weidner, Weidner Construction Services

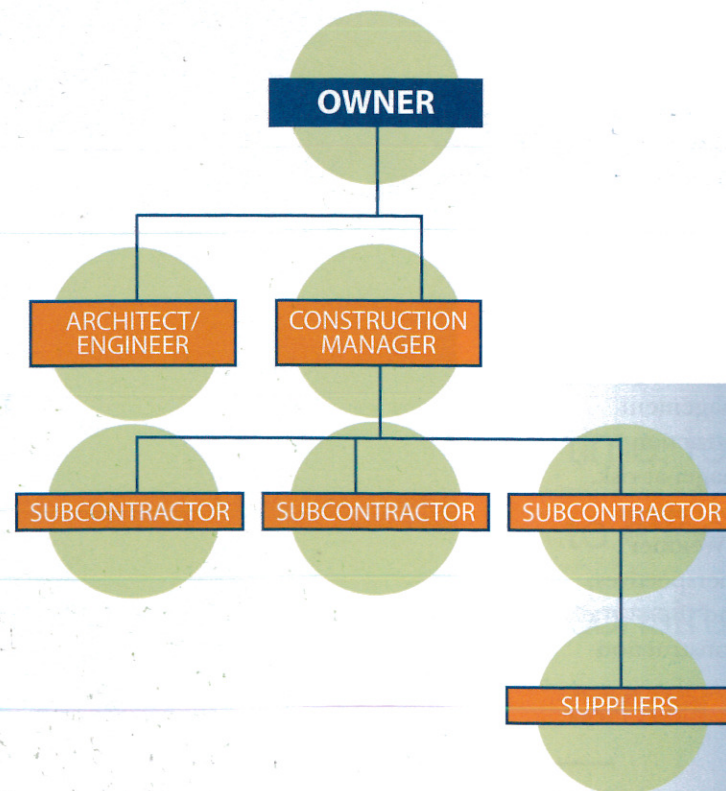
### WHAT IS AN AGENCY CONSTRUCTION MANAGER?

**Morgan:** An agency construction manager provides comprehensive management services to owners of construction projects on a fee-for-service basis. The agency construction manager provides leadership to the project team during planning, design, and construction, is an advocate for the owner, and acts in the owner's best interest. Simply put:

- Architects and Engineers – Design Projects
- Contractors – Build Projects
- Agency Construction Managers – Manage Projects

### DESCRIBE A CONSTRUCTION MANAGER-AT-RISK.

**Weidner:** The construction manager-at-risk is a construction management scenario where the construction manager assumes the liability and responsibility to deliver the finished construction project to the owner on time and at an agreed-upon price. A construction manager-at-risk is usually a general construction contractor with the technical and financial capabilities to accept and execute the contract responsibilities. A typical line of reporting under this scenario would look like this:



### WHILE THE AGENCY CONSTRUCTION MANAGER AND THE CONSTRUCTION MANAGER-AT-RISK SHARE THE COMMONALITY OF MANAGING PROJECTS, THERE ARE SOME SIGNIFICANT DISTINCTIONS BETWEEN THE TWO.

**Weidner:** The key distinctive as noted above is where the liability rests. While an agency construction manager serves as an agent for the owner, the construction manager-at-risk assumes, under contract, the liability for project completion and delivery. A construction manager-at-risk works closely with the owner throughout all phases of a project – from pre-design to design to construction – and is ultimately responsible for executing the project on time and on budget.

**Morgan:** Unlike other project team members, agency construction managers do not produce anything tangible on a project; however, they are experts in managing and facilitating the process. They are not obligated to the architect, engineer, or contracting community and hence can serve as an independent leader of the project. An agency construction manager advises their clients on issues regarding:

- Best, most effective use of funds
- Clear definition of project scope
- Scheduling options
- Best use of team member's expertise
- Avoidance of delay claims
- Efficient design
- Procurement of construction services

Agency construction managers have no vested financial interest in the project. They are responsible to act on the owner's behalf and provide non-biased, impartial advice regarding the construction of the project.

### WHY IS IT FINANCIALLY PRUDENT TO SECURE CONSTRUCTION PROJECT MANAGEMENT?

**Weidner:** The construction manager at-risk typically assists the owner and the architect/engineers with input on costs, cost-effective construction materials, constructability, scheduling, and sequencing issues throughout the pre-construction design phases. Continuous consultation, estimating, and providing input into the design and construction schedule would be the norm. In many cases, at design milestones, the construction manager at-risk would provide the owner and architect/engineers with the most reliable possible estimate of the final total cost. Sometimes, these cost statements would be issued in the form of a Guaranteed Maximum Price (GMP).

During the pre-design phase, a construction manager at-risk will develop a control estimate (budget) covering all hard and soft costs as well as non-construction-related procurements, such as furnishings, moveable equipment, security systems, signage, fees, taxes, and financing costs, along with contingency fees. During the design and construction phases, the construction manager at-risk will carry out cost analyses and cost control procedures with verification of estimates and quotes using a multi-track costing program with line item reconciliations.

**Morgan:** Money is often an owner's most important consideration. Serious financial impacts can be avoided by engaging a qualified agency construction manager. Consider this recent project: An institution of higher learning embarked on a \$15 million project to improve its facilities. The project was fairly complex since it included significant site improvements, new building construction, and renovations and additions to the existing facility. As agency construction manager, one of our company's prime responsibilities was the management of the change order process.

During the 14-month construction phase, there were 185 change order requests submitted by the various prime contractors. Through our change order audit process, we were able to reduce the value being sought by the contractors by \$275,000. We also rejected \$295,000 of improper requests. The owner avoided paying over \$570,000 in unjustified or improperly submitted change order requests due in large part through our understanding of the contract documents.

Money is often the owner's most important consideration.

## CONSTRUCTION MANAGERS RECEIVE HIGH RATINGS

Provided by Bill Morgan

A recent study performed by McGraw Hill Construction for the Construction Management Association of America Foundation concluded that "Professional construction managers are outstanding leaders of successful construction projects that feature more effective communication, fewer crises, and fewer 'surprises' for the owners."

The study evaluated **623** projects across six industry sectors.

**86%** of owners gave high ratings for facilitating communication among the team members.

**85%** of owners gave top scores for avoiding project crises.

**81%** of owners stated that CMs were highly effective in assuring that the project team met its obligations.

**80%** of owners would use an agency construction manager again.

# TYPICAL PROGRAM MANAGEMENT SERVICES FOR A CONSTRUCTION MANAGER AT-RISK PROJECT:

Provided by Mike Weidner

## PRE-DESIGN PHASE

- Assist the owner in making final decisions about the project requirements and scope, possibly carrying out for the owner preliminary technical investigations as to site suitability. As necessary, assist in site acquisition.
- Deliver cost-loading scheduling and briefing reports for the owner and senior executives.
- Prepare or determine that a full Program of Facility Requirements has been prepared and approved.
- Develop a Control Estimate covering all hard and soft costs, as well as non-construction related procurements.
- Develop a Master Project Schedule.
- Determine that the Program, Budget, and Schedule are compatible. Resolve any compatibility issues.
- Carry out due diligence on candidate architects, engineers, and other consultants.

## DESIGN PHASE

- Assist owner in development and award of professional and consultant contracts.
- Carry out cost analyses and cost control procedures.
- Track schedule adherence.
- Coordinate the approval process with all stakeholders.

## CONSTRUCTION PHASE

- Secure all required permits.
- Create, distribute, and manage a detailed construction schedule showing the critical path and those activities that hold all subcontractors and suppliers accountable.
- Conduct regular job conferences.
- Perform daily quality control inspections.
- Assist owner in closing out various contracts and provide records for retention.

## A CONVERSATION

with Bill Morgan and Mike Weidner

*Continued*

### WHY WOULD AN OWNER CHOOSE ONE CONSTRUCTION MANAGEMENT APPROACH OVER ANOTHER?

**Morgan:** As the construction industry has become more complex and litigious, owners want accurate and timely information and guidance throughout their project's lifecycle. Owners working with a professional agency construction manager experience smoother, more trouble-free projects characterized by leadership, communication, and met expectations. The agency construction manager is the owner's representative and advocate. The manager's responsibility is only to the owner. The manager doesn't have a design to defend or a bottom line to protect. They are expert in leading a project team and providing advice on:

- Planning
- Design oversight
- Budgeting
- Cost estimating
- Procurement of construction services
- Construction management and oversight
- Construction project cost accounting
- Constructability review
- Claims avoidance
- Change order management
- Scheduling
- Accountability of the project team

**Weidner:** The industry today has many delivery methods that can be modified to meet the owner's requirement. Whether it's a construction manager-at-risk, agency construction manager, design-build, or traditional design/bid build, the selected method is typically one that the owner is comfortable with, or in some cases, legally bound to. For example, most projects in the public sector typically use the design/bid build delivery method, while most projects in the private sector have more latitude in using alternative delivery methods that they feel work best from them. We have found providing services with built-in flexibility have provided our clients the best customized delivery method and thus the best return on their investment. ☒





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Mike Weidner is President of Weidner Construction Services, LLC located in Mechanicsburg, Pennsylvania. Weidner Construction Services is dedicated to providing quality construction, design/build, and management services to their customers. They strive to implement a long-term relationship with their clients based on safety, quality, timely service and anticipation of their needs. Mike can be reached at (717) 609-1618 or [mike@weidnerconstruction.com](mailto:mike@weidnerconstruction.com).