



AIA Best Practices: Pros and cons of offering construction management services

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Summary

An architecture firm must consider some pros and cons when deciding whether to offer construction management (CM) services. In general, however, the advantages outweigh the common concerns.

Advantages of offering CM services

An architecture firm can benefit from offering CM services to its clients. The most obvious benefits are increased profitability; a comfortable fit with services the firm already offers; improved documentation, estimating, and scheduling skills; improved relationships with clients and employees; an expansion of marketable services; and more attention to risk management issues.

Increased profitability

A prime incentive for offering CM is the potential to increase profits, for many reasons. Expanding the scope of services for an existing client increases the firm's billings with a minimum of marketing effort. Broadening services without expanding the volume of active projects enables the firm to be more efficient and productive. In addition, when the architect controls the construction schedule, a CM project can be completed much faster than a conventional project—in most cases, at least 25 % faster. Because a construction manager is on the project daily and projects are completed faster, the project architect is relieved of many time-consuming construction problems and can move on to the next project sooner. The efficiency and profitability of design services increase.

Finally, CM services are inherently profitable. A single construction manager with about one-third of an administrative assistant's time can administer \$4–\$6 million in construction. While fees for CM services vary across the world, profitability can reach 50 % of gross income, depending on the size and complexity of the projects.

Natural transition for clients and staff

Another reason to consider CM services is the ease of incorporation into a conventional practice. The primary change is that the construction work is divided into multiple bid packages rather than a single prime contract, and the architect replaces the prime contractor's construction superintendent with a construction manager to coordinate the efforts of multiple contractors. This transition is not difficult to make. To some

degree, the architect is already providing much of the service connected with CM without additional compensation.

Sharpened documentation, estimating, and scheduling skills

CM experience can sharpen a firm's skills, increasing the design staff's knowledge of bidding conditions, field problems, and construction means and methods. It can also improve the quality of project drawings and specifications, and the accuracy of construction cost estimates.

Return to master builder

CM offers an opportunity to restore the broad scope of services that an architect traditionally provided as master builder. Planners, engineers, interior designers, developers, kitchen and bath specialists, specifications writers, project managers, and construction managers all provide services that used to be in the architect's domain. Providing CM services can renew the client's confidence in the architect's ability to provide comprehensive services and open the door for provision of specialty services that others have delivered in recent decades. Firms have also reported that offering employees construction-related opportunities has helped them find new employees in a tight job market.

Enhanced marketing of architecture services

Marketing might be considered both a reason to add CM service and a concern. First, it is fairly easy to "sell" CM services to an owner seeking a single source of accountability, lower construction costs, and faster project delivery. Even if an owner is not interested in CM services, the architect's experience with CM can only strengthen a proposal to provide design services.

Some architects fear alienating developers and large general contractors who might also be clients. Initially it may be a good idea to keep a low profile with these "old friends"; however, once a CM service has been established, the profitability and increased income to the architect should soon overshadow any income realized from developer- or contractor-led projects.

Enhanced risk management

Providing CM services can help firms to manage and even reduce professional liability risks. There is no better way to manage professional liability than to have a firm's representative on-site every day to document activities in the field, coordinate the workflow, and, most important, resolve issues before disputes arise. These techniques do more to reduce professional liability than one can imagine.

Many firms report that since they added CM services, fees have doubled and even tripled. Although professional liability policies are underwritten primarily on fees, these firms report their premiums have stayed the same. This indicates that insurers recognize the positive effects when a design firm offers CM services. Their documentation improves, and they are better at resolving conflict early, before claims are made or formal dispute-resolution methods employed.

Common concerns

Among the concerns that firms commonly express when deciding whether to add CM services, the biggest is the risk involved. The three areas of most concern are professional and general liability (or insurable risks),

job-site safety, and uninsurable risks, including fixed-cost contracts when acting as a constructor or fines from regulatory agencies for failure to comply with laws and regulations.

Adequate insurance can cover both professional and general liability. Professionally, CM is an architectural service just like design and can be insured under a standard professional practice liability policy. General liability can be covered with a standard general contractor's general liability policy. (Firms should ask their insurance agents to make sure their activities are properly underwritten. Most insurance companies offer a supervisory constructor category, which can save substantial premium dollars but provide similar coverage.)

Job-site safety can pose some added risk, although by contract the responsibility for job-site safety still rests with the construction contractors if the architecture firm has contracted for CM-as-agent responsibilities. (While OSHA rulings have been contrary to this philosophy, designers should still strive to remove themselves contractually from job-site safety when acting as an agent.) If the firms have contracted for CM as constructor responsibilities, then job-site safety is a primary concern, and the firm's business plan must address this new risk. In all cases, the astute firm will consult with legal and insurance counsel for advice on management of the risks associated with offering CM services, for the rewards are likely to outweigh the risks. Firms seeking to provide CM services will become innovative facilitators of the built environment and will be rewarded, professionally and financially.

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