



Question of the Month: What is the difference between a general contractor (GC) and a construction manager (CM)?

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When you begin your next construction project, you may find yourself asking:

“What is the difference between a general contractor (GC) and a construction manager (CM)?” Although GCs and CMs are both considered the primary contractors on a construction job, there are fundamental differences between these two roles. Let's walk through some of the benefits and disadvantages related to each position.

General Contractor

A GC is responsible for the day-to-day management and coordination of a construction project. GCs are typically hired on by the client through a bidding process that integrates the advice from the client's consultants, namely the architects and engineers. Often the lowest qualified bid is selected for the job. The GC's bid, or set price, is based on the contract terms and the construction drawings. Should the GC expend less than its bid, then it will profit on the differential. This tends to foster a competitive relationship with the owner.

It should be noted that if the GC's bid is over budget, then the owner will be over its budget limit from the start, and will need to adjust accordingly. Therefore, until the construction documents are finalized, the cost of work stands somewhat unknown. At the end of the day, the owner is financially responsible for all of the potentially costly complications and discrepancies in what is in the field and what is in the contract documents.

GCs are brought on during the construction process. Given their lack of feedback during the pre-construction process, a GC may require the architects and engineers to go back to their drawing boards. Such change orders not only result in scheduling delays and cost escalations (including potential budget overruns), but can also spur frustration and arguments between all of the project participants.

GCs usually maintain a group of reliable and specialized subcontractors. The group is accustomed to working together, and as such, there is a sense of familiarity, trust and comfort. However, the relationship between the owner and the GC is often quite disconnected (more so than that between the owner and a CM). Once the construction process is underway, the GC primarily interacts with the owner through the architect. There is little to no effort made to foster an environment of cooperation and collaboration between the GC, owner, and architect. At times, this can result in a confrontation and hostility.

Construction Managers

CMs become involved in the process during the pre-construction phase, and continue to work on behalf of the owner by overseeing the construction project from start to finish. By involving CMs early in the development process, the design team is capable of making more informed decisions and the construction team is capable of deriving more precise estimates, thereby saving the client

time and money down the road. The collaboration between the client, construction manager, architects and engineers results in a better informed and more efficient project process, and further strengthens relationships.

The owner usually awards the contract to a CM based on his fee, insurance and general conditions cost. This is usually awarded prior to the drawings being completed, so that the CM can work with the design team to stay on budget. The CM's predetermined fee evades a competitive relationship with the client, yet typically infers a more expensive option. The hiring process for CMs is centered more on qualifications and trust rather than cost. That said, when it comes to subcontracts, CMs can profit off the subcontractors but are often not held responsible for subcontractor problems. Instead, this risk falls to the client.

When asked why he prefers his company to perform construction management services over general contracting, Robert Coughlan, one of the principals of TRITEC Real Estate Co., stated, "It allows an owner to wind-up with a better product at the end of the day. Having the CM as part of the initial design team helps the owner get a better understanding of the construction cost, ongoing operational cost of the facility, as well as the functional implications of the facility. However, the conventional process in which an owner hires an architect who designs a facility and then bids it out to a few GC does not get the benefit of insight from the CM during the design process."

In summary, the long-run benefits of a CM typically outweigh the low-cost differential of the GC.â€ Kim Coughlin is content specialist for the marketing department at TRITEC Real Estate Co., East Setauket, N.Y.

New York Real Estate Journal - 17 Accord Park Drive #207, Norwell MA 02061 - (781) 878-4540