Comparative Case Study: Understanding why clients hire a 3rd Party Construction Manager

Brandon I. Perez
California Polytechnic State University
San Luis Obispo, CA

Many construction management students are unfamiliar with the project management for fee industry and the relationship between a construction manager and a project owner. Construction Management programs typically teach their students the variety of project delivery methods available to a client for their project. The Agency-CM project delivery method is not the most common project delivery method, and students have expressed interest in learning more about this side of the construction industry. This senior project will illustrate (3) different real-world projects where former clients chose to hire Cumming Corporation as an 3rd party construction manager and what factors drove them to seek their services. Each client had a different reason for hiring a 3rd Party construction manager, and this project will aim to differentiate and categorize these varying motivations. The information for this project was derived from 2 summer internships in 2018 and 2019 with Cumming Corporation, and will be presented in a comparative case study approach. This paper creates greater awareness and knowledge as to why clients hire a 3rd party construction managers and allows students to better understand if this is a career path of interest to them.

Key Words: project management, career education, construction consulting, owner’s representative

Introduction and Background

Cumming Corporation was founded in 1996 by Finlay Cumming, as a “project and cost management company”, according to the Cumming website. Cumming now offers a wider variety of construction management and consulting services, but the firm is still heavily focused on two services: Cost Management and Project Management for Fee.

In general, there has been a trend in the construction industry to move away from the traditional design-bid-build delivery method. As noted in the FMI market study titled Design-Build Utilization, “Dissatisfaction with the adversarial nature and limitations of design-bid-build as well as increasingly
challenging project characteristics and demands has resulted in greater interest in and use of design-build and other alternative delivery methods.” While this report by FMI is focused on the design-build delivery method, the larger point still rings true. Owners are moving away from Design-Bid-Build delivery methods and seeking alternatives. The Agency-CM delivery method is one of the options and this comparative case study will illustrate why an owner may be interested in this delivery method.

Aside from the trends in the construction industry, students have expressed interest in learning more about the Project Management for Fee industry. A quick analysis of the Cal Poly CM Info Session website reveals that of the 96 companies that have a scheduled info session to recruit at Cal Poly for the 2019-2020 school year, only 4 are Project Management for Fee firms. Namely: Cumming Corporation, Kitchell, O'Connor Construction Management Inc, and Vanir Construction Management Inc. This wide disparity in recruiting efforts leads to many of the students working for a general or specialty contractor, while unaware of the opportunities available to work as a 3rd party construction manager at the time of graduation.

Literature Review

This paper attempts to show why owners would hire a 3rd party construction manager, the targeted audience are students who have limited knowledge or exposure to this aspect of the construction industry. The intent is not to provide research on the specific management practices of a construction manager, but to provide cases students can read to better familiarize themselves with the Agency-CM delivery model and how the Project Management for Fee industry operates.

Cumming Corporation is a known leader in the 3rd party project management field and this claim is supported by their position within the ENR list for their respective specialty. Engineering News Record ranks Cumming Corporation as #13 on their “2019 Top 100 Construction Management for Fee Firms” list with a 2018 revenue of approximately $155M. Not only does this demonstrate the scale of their business, but if one takes a closer look, the only companies above Cumming Corporation are not direct competitors.

Looking over the top 15 companies, one can easily see that these firms share a few common characteristics. Many companies that occupy the top of the list are either: large EPC contractors such as Bechtel, AECOM, Jacobs, and Parsons, in-house construction management divisions of integrated real estate companies like JLL and CBRE, or companies that are primarily in the management consulting space with some expertise in the AEC industry such as Arcadis and Hill International. This point is brought to emphasis that Cumming has a unique position in the market and is probably the largest construction consultancy of their kind.

Another point presented in this study that was supported by the literature and general experience was that, consulting roles in the construction industry are usually considered less stressful than contracting roles. The primary reason for this is the change in responsibilities and expectations from being a
contractor to a construction manager. A general contractor's management employees are typically on-site and dealing with the daily challenges of the project construction as they arise. The problems originate from the information presented by field personnel and the solution must be run through the design consultants before being relayed back to the field personnel. In contrast, owner's representatives view the project from a more detached, financial and strategic lens. Their concern is overall project success, meeting the deadlines set by the owner, and challenging contractors request for additional pay in defense of the owner's budgetary goals. The following quote is from a fascinating 2009 study on job burnout in the Hong Kong construction industry of young construction engineers. It handily summarizes this difference, “Alarmingly high levels of job burnout were found among construction engineers, implying that this phenomenon threatens, to a large extent, the well-being of engineers, their employing organizations and the industry to which they belong. Higher levels of burnout were recorded among engineers in contracting organizations than their fellow engineers in consulting organizations. ... The results of the study further reveal that the sources of the job burnout problem are different between engineers working for consulting and constructing organizations. Qualitative overload and lack of promotion prospects were found to have the most significant effect on burnout among engineers in consulting organizations; whereas burnout experienced by engineers in contracting organizations is caused by long working hours, role conflict, role ambiguity, and lack of job security.” (Yip & Rowlinson, 2009, p.129) Yip and Rowlinson are faculty at the University of Hong Kong, within the Department of Real Estate and Construction. It would be important for students to understand from the very beginning that being a 3rd party construction manager is quite different from working for a general contractor, and they may appreciate the different expectations placed on consulting vs contracting roles.

Aside from the literature on the career aspect of the 3rd party construction management field, it was also important to bring up the recruiting and career education aspect of construction management programs. In general, most students are recruited by commercial building general contractors. It is often seen by students that any opportunity outside of this sphere is a “niche” field. At Cal Poly, students that opt to work for heavy civil contractors, residential construction, EPC contractors, specialty contractors, and consulting are in the minority in comparison to their classmates. There are less graduates that chose these job opportunities because there is less exposure to these types of companies, there are fewer of these types of companies that recruit on-campus, and often students are not as interested in working for a non-general contractor. A 2013 study that focused on the relationship construction management students have with specialty contractors had some interesting findings on the preferences students have for their first job. This paper published in the Practice Periodical of Structural Design and Construction, titled “Investigation into the Relationship of Construction Engineering and Management Education with Specialty Trade Contractors” echoes this observation at Cal Poly. The authors point out in their findings that, “… students were asked if they would consider a job with a specialty trade contractor if they could not find a job with a general contractor. Eighty-three percent of the students agreed to this question to some extent. Again, this shows the general lack of interest by students in the specialty trade contractor field; however, it shows a large increase in interest in the specialty trade contractor position as a second choice but not as an original preference.” (Becker et al., 2013, p. 23) The authors' data while specific to specialty contractors, arrive at a conclusion relevant to the scope of this project. Aside from showing real world
example of when an owner’s representative was hired, this project aims to create more interest in this career path. Becker et al. findings confirm that most construction management students’ first preference is to work for a general contractor. However, this could change if students were introduced to the 3rd party construction management field earlier. Further research would have to be done to confirm this hypothesis, but the goal of this case study is substantiated by this literature.

Student interest and emotional investment is also a key factor to student success. Students have anecdotally expressed interest in the project management for ce industry, but there is not quantitative data from the Cal Poly CM program to support this observation. This project may be relevant and useful to instructors at Cal Poly in bettering the way the Agency-CM delivery model is taught at Cal Poly. An article titled “Exploration of Student Perceptions, Behaviors and Academic Performance in Construction Management Classes” and published in the International Journal of Construction Education and Research in 2015 reads, “Addressing the emotional and affective components in course content may enrich students’ experiences and create more opportunity for hands-on activities. For example, instructors could use case studies from industry to add important content that is contextual and rich in experience.” (Maghiar et al., 2015, p.250) If students display more interest in this field, this case study could be an effective tool to teach these curious students about the industry because this case study is contextual, and experience-based.

Lastly, when covering literature for this project, the project came from the assumption that many students and even faculty do not precisely understand the role of a construction manager. This is not by accident, as many times people do not have experience working on this side of the construction industry. This point of view was only emboldened by a 2019 paper published in the Journal of Construction Engineering and Management on how project stakeholders view the responsibilities of each other. Arditi and Alavipour (2019) emphasize that, “it may be worth noting that the number of disagreements between parties about CM duties has increased over the last 10 years despite the fact that the construction industry is moving to more collaborative and integrated project delivery systems (Franz and Leicht 2012; Garcia et al. 2014). Though the variation between parties could be an indication of increased fragmentation in the construction industry, it may also point to a shift in participation expectation. Either paradigm requires additional communication between the parties to a construction project.” This paper was a revisit of a similar study conducted by the same authors in 2006. However, as stated above, even within industry there is a limited and worsening understanding of project stakeholder roles and responsibilities especially about construction managers. This case study assists in providing clarity to what construction managers do and addresses a growing problem in the construction industry. Arditi and Alavipour (2019) believe that the entire industry would benefit if there was greater understanding and clarity on the roles of the owner, designers, contractors, and construction managers.

Methodology

The methodology for this comparative case study was primarily qualitative. The qualitative study was done throughout (2) summer internships by working as part of the cost management team and later the private project management group at Cumming Corporation in 2018 and 2019, respectively. Working
for the cost management team, included contact with over 20 different project teams seeking an estimate in a pre-construction setting. The estimates were formally called, SOPCs (Statement of Probable Cost). Secondly, working for the project management group included OAC meetings, project planning meetings, and various conversations with clients as problems arose.

The objectives of this comparative case study are:

• To highlight the type of challenges different owners face when building a project, from the perspective of an owner’s representative
• To compare 3 different scenarios and differentiate the reasons why Cumming was hired for each
• To highlight the differences between working for a general contractor and a consultancy as they relate to expectations placed on the employee
• To provide students real examples on when a 3rd Party Construction Manager is hired, giving students more insight as to whether or not they may be interested in this field as a career path

Case Study

The (3) projects covered in this comparative case study are outlined in the Table 1 below:

Table 1

<table>
<thead>
<tr>
<th>Project Name</th>
<th>Address</th>
<th>Client/Owner Company and Contact First Name</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hotel Atwater Renovation</td>
<td>125 Sumner Ave Avalon, CA 90704</td>
<td>Santa Catalina Island Company Karl</td>
</tr>
<tr>
<td>Century City Center</td>
<td>No Real Address Assigned yet, near 1950 Avenue of the Stars Los Angeles, CA 90067</td>
<td>JMB Realty Sarah</td>
</tr>
<tr>
<td>Barth Partners Program</td>
<td>Multiple Project Locations in West Los Angeles and East Hollywood neighborhoods</td>
<td>Barth Partners Justin and Zachary</td>
</tr>
</tbody>
</table>

Each of these projects were part of an internship in 2019, under the guidance of a project executive/director and a project coordinator. It is also worth noting that the last name of all clients and client employees have been omitted throughout for privacy reasons.

Project Profile – Hotel Atwater Renovation
### Table 2

**Profile of the Hotel Atwater Renovation Project**

<table>
<thead>
<tr>
<th>Project Timeline</th>
<th>February 2018 – November 2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Estimated Project Cost</td>
<td>$14.5M</td>
</tr>
<tr>
<td>Project Size</td>
<td>96 Room Hotel with 4 suites, Lobby, and Retail Component</td>
</tr>
<tr>
<td>Project Scope</td>
<td>Remodel Guest Rooms, Hotel Lobby, and Hotel Exterior</td>
</tr>
</tbody>
</table>
| Challenges particular to the project | • Catalina Island Location  
• Changes in Owner’s Executive Management Team  
• Unsophisticated General Contractor  
• Scope Creep |
| Ownership Background/Experience | The Catalina Island Company has been a long-time owner of the property and was familiar with the challenges of building on the island. They own multiple properties around the island, and this was their most significant project to date. However, the hotel company went through some executive management changes in the middle of this project. In particular, they had a new incoming VP of Design and Development, Karl. Karl had an architecture background and came into the role mid-project. Lastly, while Karl was the VP of Design and Development, all final decisions were made by members of the family that owns the Catalina Island Company. |

### Project Profile – Century City Center

### Table 3

**Profile of Century City Center**

<table>
<thead>
<tr>
<th>Project Timeline</th>
<th>In Pre-Construction, construction starts Q1 2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Estimated Project Cost</td>
<td>Goal of $350M, but likely will be higher</td>
</tr>
<tr>
<td>Project Size</td>
<td>38 Story Office Tower – 730,000 SF</td>
</tr>
<tr>
<td>Project Scope</td>
<td>Ground up construction of office tower with subterranean parking and small retail component</td>
</tr>
</tbody>
</table>
| Challenges particular to the project | • First New Construction LEED Platinum High-Rise in Los Angeles  
• The project has been started and shelved twice before  
• Lot is over a to be constructed Metro rail line expansion  
• This is not the developer's home market |
| Ownership Background/Experience | JMB Realty is a Chicago based real estate developer with strong experience. They have owned this property for many years and have presented at various different times, different developments ideas for this tract of land. JMB Realty is an experienced real estate developer and already owns real estate within the Century City neighborhood. |
Project Profile – Barth Partners Program

Table 4
Profile of Barth Partners Program

<table>
<thead>
<tr>
<th>Project Timeline</th>
<th>2018-2021</th>
</tr>
</thead>
<tbody>
<tr>
<td>Estimated Project Cost</td>
<td>Multiple Properties (3) with project costs ranging from $1M to $10M</td>
</tr>
<tr>
<td>Project Size</td>
<td>- 10 Unit Luxury Condominiums (West Hollywood)</td>
</tr>
<tr>
<td></td>
<td>- 32 Unit Apartment Building (East Hollywood)</td>
</tr>
<tr>
<td></td>
<td>- 1 Creative Office Renovation (Silver Lake neighborhood)</td>
</tr>
<tr>
<td></td>
<td>(2) New Ground Up Projects, with (1) Repurposing</td>
</tr>
<tr>
<td>Project Scope</td>
<td>- This is a small building program as opposed to a singular project.</td>
</tr>
<tr>
<td>Challenges particular to the project</td>
<td>- The project values and type are not large enough for large general contractors to be competitive. These are small, niche properties, therefore Barth will have to seek smaller general contractors that can be less professional at times.</td>
</tr>
<tr>
<td></td>
<td>- Managing multiple projects at once.</td>
</tr>
<tr>
<td>Ownership Background/Experience</td>
<td>Barth Partners are a new, up and coming real estate development company in Los Angeles. The owner and his partner are both under 40, which is quite young in the real estate business. One of the partners Zack has an investment brokerage background, and the other partner Justin has a diverse real estate background. Barth has built custom single-family residential homes, some offices, but they are starting to enter the multi-family residential market. This will expand their portfolio and lead to more deals over time.</td>
</tr>
</tbody>
</table>

Results and Discussion

Reporting directly to Jeff Mazmanian, a project executive/director at Cumming Corporation. Jeff provided many valuable insights into how 3rd Party Construction Management differs from the traditional role of being a general contractor. Some of work tasks included: updating meeting minutes, punch list creation, SOV tracking and correction, processing progress payment applications, and lastly, tracking PCOs and contingency change orders as well. Typically work started at 9am and ended at 5pm. Jeff was interviewed on October 14, 2019 at 10:25 AM via a phone call. The interview focused on key lessons to take away from each project in relationship to how Cumming was helping every owner individually due to differing needs.

Based on this experience at Cumming and conversations with Jeff, Cumming was brought on to the Hotel Atwater Renovation project for the following reasons:

1. This hotel renovation project had grown considerably from the original scope planned. The project initially was expected to be a $3-4M bathroom remodel of all guest rooms and later became a $14M complete renovation including new décor, artwork, furniture, and hotel
branding. Only the floorplans and structural frame remained the same. The rooms were completely refurbished with new MEP systems, appliances, and furniture.

2. There had been an uncontrolled growth in the scope of the project because the hotel was originally constructed in 1920, and every time areas were opened or modified, challenges were encountered. There were many instances when unforeseen conditions required above average work hours due to the age of the property.

3. The contractor had been repeatedly behind schedule and was struggling to effectively manage their subcontractors. More specifically, there was trouble bringing in enough laborers on the island to meet the proposed deadlines.

4. There was over 150 PCOs generated from this project and many were completely unresolved, while construction continued. Cumming assisted with the project closeout process, which also involved change order negotiations.

Based on this experience at Cumming and conversations with Jeff, Cumming was brought on to the Century City Center project for the following reasons:

1. This specific project site had 2 prior proposals developed and cancelled, each time. Once around 2005, and once again around 2012. Johnson Fain is currently the architect on this project and was the architect for the most recent prior iteration, called Constellation Park. Old renderings of Constellation Park and new renderings of Century City Center can be seen on the Johnson Fain website.

2. Due to the on and off history of this project site, the client sought the assistance of Cumming’s cost management services to get a better insight into what price they could expect to pay in 2020 to develop this property with this new design.

3. The metro system is expanding in West Los Angeles and this site has a planned stop within the property. Cumming has worked extensively with LA Metro in the past as a construction manager for public projects, as well as a sustainability consultant. This past expertise was sought to help with regulatory compliance of buildings with Metro.

4. The client wanted to value engineer and control the project cost as much as possible. Most preliminary estimates from the general contractors had come in much higher than expected. ($450-500M) Again, this was a service led by Cumming’s cost management team.

5. They wanted to fast-track the project and wanted design-build services from a general contractor, due to the unique geometric shapes of this project’s glazing system. Cumming assisted with drafting an RFP for this part of the project scope.

Based on this experience at Cumming and conversations with Jeff, Cumming was brought on to the Barth Partners Program for the following reasons:

1. On an unrelated project currently in progress, Barth Partners was experiencing massive headaches with delays and cost overruns in a small apartment building project in West Hollywood. The general contractor on that project was struggling to meet deadlines.

2. Barth also sought Cumming’s in-house cost management to get a better idea of what costs they could expect for these upcoming projects. They wanted to compare our estimate of the project cost to the estimates they had received from general contractors. They were doing their bid spreads and were looking for assistance in their contractor selection process. Cumming has experience in assisting clients hire qualified contractors.

3. Barth does not have in-house construction professionals due to limited resources. Barth wanted to have a 2nd opinion through their construction process due to their lack of experience with managing construction.
Conclusions and Future Research

In conclusion, the work experience and projects covered in this comparative case study demonstrate a few of the many reasons an owner may seek the services of a 3rd party construction manager like Cumming. The Hotel Atwater Renovation project serves as a good example of a project out of control. The mismanagement on the part of the general contractor and the negative effects an executive management change can have on a project's performance are demonstrated in this project. Cumming was able to come in and provide mediation and guidance to close out the project. In contrast, the Century City Center project was an instance where the client was from a different market (Chicago) and wanted to have a local consultant and cost manager to provide valuable cost information for an upcoming project. Cumming provided cost management services and helped JMB draft a RFP for glazing with the intent of awarding a design-build contract for this scope. Lastly, Barth Partners was able to utilize the experience Cumming offers to help manage their building program. They were a young upstart company and simply needed the assistance of an owner's representative. The 3rd party construction manager role is quite different from working on the contracting side of construction. These cases offer students interested in this profession a perspective on what the role entails and whether or not they intend to pursue this field professionally.

References


