Do You Know the Difference?
(Did You Know There Even Was a Difference?)

By S.S. Saucerman

If you’re anything like me, you spend most of your day confused. Come on, admit it! Sure, you might be able to look like you’ve got your act together (for a few minutes at a time). You may even be good enough to fool your boss; but I know better—you’re confused!

Well, don’t worry, I won’t tell anyone . . . and besides, you’re not alone—there are about 5 billion others in our club (I know, because I counted them at the last meeting). As for me, I do pretty well for the first five minutes of every day . . . and then it all goes pretty much downhill from there. For the next eight hours and 55 minutes, I spend my day not understanding my co-workers, not understanding my clients, and really not understanding architects and engineers . . . only to go home at five so I can not understand my wife and daughter.

So, with confusion such a key element in my life, it’s little wonder I search out construction topics I find ambiguous or puzzling and attempt to sort them out. Such is the case with these titles-General Contractor and Construction Manager, a couple of phrases that we hear all the time in this industry and yet probably are a bit fuzzy as to their exact definitions, particular-ly when they are compared to each other. But these definitions are important because (except for a few specialized situations where a subcontractor is the “lead” or “prime” contractor) the GC and the CM are generally the two recognized principal contractors for most commercial construction projects.

So, let’s examine the GC and the CM, but before we begin, it’s important to note right away that it really can be difficult (if not impossible) to tell the difference between a GC and a CM. In particular, many GCs often act more like CMs at times (by employing virtually all subcontractors and little of their own forces on a particular job) than their “classic” general contractor role. But still, there are definable limits and attributes that do separate the two. Let’s take a moment to discuss some accepted differences and similarities between the general contractor and the construction manager.

The General Contractor

Let’s start with the general contractor. The GC is likely the one with which you’re more familiar. These are often older (perhaps two or three generations deep), family-owned and fami-
ly-run operations that (assuming an annual volume of around $10 million) may employ full-time anywhere from three to seven members in the office and additional full-time tradespeople to act as key field personnel. These outside players can be carpenters who double as job superintendents, but they might just as easily be cement masons, bricklayers or excavators, depending on the GC’s specialized area(s) of work. In addition, the GC will often engage even more full-time or part-time help to make up the crews who perform the GC’s “in-house” work (work done by his own forces; not subcontracted out).

This entire group of full-time employees (those who enjoy the accepted employer fringes and benefits such as health insurance, retirement plans, vacation, etc.) might be called the nucleus of the GC’s organization. The remaining work output for the GC would then be supplemented with outside subcontractors, suppliers, temporary workers and other outside independent contractors firms (those that provide their own benefits). Keeping all these employees on the payroll is an attribute more unique to the GC—and that is one notable difference between the GC and the CM structure.

Another characteristic that separates the GC from the CM is how work is obtained. Although many older and more established GCs enjoy a fair percentage of negotiated work,
the majority of work taken on by the GC likely comes more often from the competitive-bid process. This is particularly true when the GC is new to the block and doesn’t yet have the name recognition and/or repeat clientele of the older, more established firms.

Once the project begins, the GC’s line of communication to the owner generally runs through the architect (who, although primarily he has his own interests at heart, acts as the owner’s agent) and vice-versa. The owner may or may not have an established and trusting working relationship with the contractor and often has very little to say about which subcontractors and suppliers are chosen for the project. Therefore, the relationship the owner has with GC is often more detached than the relationship with the CM.

The GC oversees the project and coordinates all the subs, suppliers and equipment. Almost all the subcontractor and supplier communication to the architect is funneled through the GC’s office. The GC’s own in-house employee will likely act as the job superintendent or foreman and, depending on his workload and abilities, the GC may perform some (if not all) of the work with his own crews.

In the end, if all goes well with the project and if problems are kept to a minimum, the schedule is maintained and a final punchlist is worked up by the architect. The GC addresses the list, final payouts are made, and the parties all go their separate ways.

If things don’t go well, the situation can become quite adver-
sarial. Remember, no attempt was made to establish an atmosphere of partnership between the GC, owner, and architect, so none exists. The closeout procedure will often turn into a mercenary money-grab, which is generally accompanied by a proportionate level of saber-rattling. In short, it becomes every man, woman and child (and builder) for himself!

**The Construction Manager**

The construction manager approaches his lead role a bit differently: The CM acts more as a fiduciary agent to the owner and remains responsible for almost all phases of the building process—including bid solicitation, job management and accounting. There is generally a closer alliance between the CM and the owner. Of course, this type of relationship generally requires the CM to gain the owner’s trust—a quality that is often obtained only after years of interaction and positive experience between the two.

In general, the CM doesn’t keep many (if any) full-time, permanent tradespeople as employees. Virtually all the hierarchy below the CM’s administration level is made up of independent contractors and suppliers. The administration of employee benefits is avoided in this way but it could be argued that the CM loses an element of control over the construction process from not having developed closer ties and loyalties to the workers.

The CM seldom becomes involved in the classic competitive-bid scenario (where a lump-sum price is offered to the owner for the complete project). If there is competition, it’s generally between the fees (often a percentage above the direct cost for the project) of the competing CMs.
The CM works directly with each subcontractor and supplier (and even with a general contractor) to come up with value-engineering ideas that maximize cost savings to the owner. Individual contracts and purchase orders are issued to all the separate trades and suppliers, and the CM then oversees their work throughout the course of construction.

The conventional owner-wisdom is that the mark-up taken by the GC on subs and suppliers is avoided through the use of the construction manager, but this likely isn’t the case in real life. The net cost to the owner above and beyond the actual direct project cost would need to be considered to properly compare the two. If the CM’s overall fee is the same as the GC’s profit and overhead (which includes the sub and supplier markups), little (if any) has really been saved by going with the CM. Basically, it turns into the same old shell-game of “Where do we hide the numbers now?”

Architectural services may or may not be supplied by the CM. The CM may even have architects/engineers on staff, other-
wise, the owner may bring his own architect to the table.

CMs are generally used for larger dollar-volume construction projects where the economics of incorporating a CM into the mix tends to make more budgetary sense.

The main difference then between the GC and CM appears to be more a product of administrative structure and employee relationships than about the actual techniques of the construction project itself. In fact, within any given locale, it’s likely the same mason and electrician will be used regardless of whether the lead player is a GC or a CM. This way, the final (physical) end-product (regardless of leader) would likely end up being virtually identical to one another. That being said, an owner’s reason for choosing between

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the GC and the CM often may have more to do with the quality of the individuals running the firm and the owner’s experience with that firm, and less to do with the structure of the firm itself (so what else is new?).

**About the Author**

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