Construction Project Management
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Additional resources for students and instructors are available on the book’s companion website at www.wiley.com/go/cpm6e. The following icon is used throughout the text to indicate content for which a related resource is available on the site:
Preface

This sixth edition of the well-respected text on construction project management represents a significant revision. The intent is to retain the flavor and quality of the classic book while eliminating some of the detail and updating the content. The content is enhanced by the addition of new material introducing some rapidly evolving topics in construction project management. New instructional materials have also been added to each chapter to increase its value in the classroom. A new example project, selected from the building sector, has been incorporated. Finally, this book takes advantage of advances in technology by employing a companion website that contains material that was appended at the end of the book or inserted as oversized figures in previous editions.

Some detail (such as the detailed cost estimate) and some older content, such as that describing the Arrow Diagramming Method for Critical Path representation have been greatly reduced or eliminated. The coverage of other topics has been increased, and new topics have been added. Reference to line-of-balance scheduling, which provides a valuable representation of repetitive projects, has been expanded. An introduction to Building Information Modeling (BIM) and its associated contract basis founded on Integrated Project Delivery (IPD) has been added. Also a section and various references throughout the book have been added to introduce the basics of lean construction.

To support the use of the book in a learning environment, an introductory section for each chapter has been added that includes a bulleted list of learning objectives. At the end of each chapter, a list of key points from the chapter has been provided, together with review questions and problems. To support live delivery of classes, a set of PowerPoint slides has been prepared for each chapter. It is anticipated that these instructional enhancements will enrich the learning experience provided by the book.

To broaden the scope of the sixth edition, a new example project in the form of a commercial building has been added. The bridge example is retained and in many instances is the single example of reference where topics are addressed that represent the building sector as well as the heavy civil sector.
Preface

The building example is an actual project, in the form of a single-story office building constructed in 2006–2007 for a technology company engaged in computer programming and consulting. The design and construction information for the building project was graciously provided to the authors for inclusion in this book by the project design team, the contractor, and the owner. A picture of the building, shown on the book cover, was also provided.

A building, by nature, is far more complex than a bridge. Whereas the bridge is primarily composed of structure and earthwork, and can be fully described in a few drawings, a building contains structure and earthwork, but it also contains an envelope to keep the elements out and to enable control of the interior environment. All surfaces in the building, including floors, walls, and ceilings, require finishes. Buildings have openings requiring doors and windows and the associated hardware. They typically have architectural features such as millwork and signage. Moreover, a building contains a number of systems, such as mechanical, plumbing, fire safety, electrical, and low-voltage systems for security and communication. Each of these building elements must be fully designed and represented in graphical models (the drawings). As a result, though the building is relatively small and uncomplicated, the design of our commercial building example project encompasses some 40 pages of drawings. The inclusion of this complete set of drawings is made possible only by linking a companion website to the book. The companion website is accessed through the following URL: www.wiley.com/go/cpm6e.

In addition to the commercial building drawings, a number of other useful items will be found on the companion website. On the website will be found the figures that were large enough in previous editions to require cumbersome fold-out pages. These are referred to as charts in this edition to distinguish them from figures embedded in the text. Providing them in digital format on the companion website is consistent with the industry trend away from paper documentation. Relevant appendix material from previous editions has also been retained on the companion website. Finally, an instructor-only, password accessible location on the website holds an answer key for the end-of-chapter review questions and problems, as well as the PowerPoint presentations.

A new team of authors has taken on the responsibility to develop this sixth edition of Construction Project Management. Jerald L. Rounds and Robert O. Segner, Jr. are honored to have been chosen to continue the excellence of Construction Project Management initiated by Richard H. Clough and continued through many revisions by Glenn A. Sears and more recently by S. Keoki Sears.

1 Construction Practices

1.1 Introduction

The objective of this book is to present and discuss the management of field construction projects. These projects involve a great deal of time and expense, so close management control is required if they are to be completed within the established time and cost constraints. The text also develops and discusses management techniques directed toward the control of cost, time, resources, and project finance during the construction process. Emphasis is placed on practical and applied procedures of proven efficacy. Examples relate to field construction practices.

Effective management of a project also requires a considerable background of general knowledge about the construction industry. The purpose of this chapter is to familiarize the reader with certain fundamentals of construction practice that will be useful for a complete understanding of the discussions presented in later chapters. Learning objectives for this chapter include:

- Recognize the size and impact of the construction industry.
- Understand how a construction project moves from concept to reality.
- Identify entities involved in a construction project and various project delivery systems that link the participating entities.
- Introduce the role of the project manager.
1.2 The Construction Industry

In terms of the dollar value of output produced, the construction industry is one of the largest single production activities of the US economy. As of December of 2013, the seasonally adjusted value of construction put in place for 2013 was estimated to be $9.930 trillion. This figure is updated monthly by the US Census Bureau. The current value can be found on the US Census Bureau website under Construction Spending, www.census.gov/construction/c30/c30index.html. The current dollar gross domestic product (GDP) in the fourth quarter of 2013 was $17.103 trillion. This figure is regularly updated by the US Department of Commerce, Bureau of Economic Analysis, and can be found at www.bea.gov/newsreleases/national/gdp/gdpnewsrelease.htm.

Though construction was severely impacted by the economic downturn at the end of the first decade of this century, the annual expenditure for construction still accounts for almost 5.44 percent of the GDP. More than 1 of every 20 dollars spent for goods and services in the United States is spent on construction. The construction industry is also one of the nation’s largest employers, so its impact in terms of both dollars and jobs remains considerable.

Not only does the construction industry touch the lives of virtually every human being on a daily basis; it also occupies a fundamental position in many national economies. This large and pervasive industry is regarded as the bellwether of economic growth in the United States. Periods of national prosperity usually are associated with high levels of construction activity. One is the natural result of the other.

The construction industry is heterogeneous and enormously complex. There are several major classifications of construction that differ markedly from one another: housing, nonresidential building, heavy civil, utility, and industrial. In addition, these construction types are further divided into many specialties, such as electrical, concrete, excavation, piping, and roofing.

Construction work is accomplished by contractors who vary widely in terms of size and specialty. Some contractors choose to concentrate on a particular task or aspect of the construction project and are therefore referred to as specialty contractors. Others assume broader responsibility for a comprehensive work package and are referred to as general contractors. Commonly, general contractors will subcontract specific aspects of a project to specialty contractors, forming a contractual web of general contractors and specialty contractors. Within the industry, very large contractors handle annual volumes in excess of $15 billion; their annual budgets rival the gross national products of many small countries. However, the construction industry is typified by small businesses.
1.3 The Construction Project

Construction projects are intricate, time-consuming undertakings. The total development of a project normally consists of several phases requiring a diverse range of specialized services. In progressing from initial planning to project completion, the typical job passes through successive and distinct stages that demand input from such disparate areas as financial organizations, governmental agencies, engineers, architects, lawyers, insurance and surety companies, contractors, material and equipment manufacturers and suppliers, and construction craft workers.

During the construction process itself, even a project of modest proportions involves many skills, materials, and literally hundreds of different operations. The assembly process must follow a natural order of events that constitutes a complicated pattern of individual time requirements and restrictive sequential relationships among the project’s many segments.

To a great extent, each construction project is unique—no two jobs are ever exactly the same. In its specifics, each structure is tailored to suit its environment, arranged to perform its own particular function, and designed to reflect personal tastes and preferences. The vagaries of the construction site and the possibilities for creative and utilitarian variation of even the most standardized building product combine to make each construction project a new and different experience. The contractor sets up its “factory” on the site and, to a large extent, custom builds each structure.

Construction is subject to the influence of highly variable and sometimes unpredictable factors. The construction team, which includes architects, engineers, craft workers, specialty contractors, material suppliers, and others, changes from one job to the next. All the complexities inherent in different construction sites—such as subsoil conditions, surface topography, weather, transportation, material supply, utilities and services, local specialty contractors, labor conditions, and available technologies—are an innate part of construction.

However, though construction projects are subject to infinite variety, construction processes tend to be consistent from job to job. Each job goes through mobilization and closeout processes. All materials and installed equipment are subject to a procurement process that includes submittals, approvals, purchase, and shipment to the job site. Contracts are negotiated. Costs are estimated and billed out when a component is completed. Changes happen regularly, but even changes are handled through a consistent change order process. Hence, much of the current focus in construction management is on understanding and managing construction processes more effectively.

The character of construction projects, typified by their complexity and diversity and by the nonstandardized nature of their production, is a result of variable inputs operated on by standard processes yielding a unique
1 Construction Practices

The use of prefabricated modular units is somewhat limiting this variability, but it is unlikely that field construction will ever be able to adapt completely to the standardized methods and product uniformity of assembly-line production. To the contrary, many manufacturing processes are moving toward mass customization, or “one-off” production and adopting many of the project management tools originating in the construction industry.

1.4 Project Stages

A construction project proceeds in a rather definite order; the stages of development that follow are typical.

A. Planning and Definition

Once an owner has identified the need for a new facility, he or she must define the requirements and delineate the budgetary constraints. Project definition involves establishing broad project characteristics, such as location, performance criteria, size, configuration, layout, equipment, services, and other owner requirements needed to establish the general aspects of the project. Conceptual planning stops short of detailed design, although a considerable amount of preliminary architectural or engineering work may be required. The definition of the work is basically the responsibility of the owner, although a design professional may be called in to provide technical assistance and advice.

B. Design

The design phase involves the architectural and engineering design of the entire project. It culminates in the preparation of final working drawings and specifications for the total construction program. In practice, design, procurement, and construction often overlap, with procurement and construction beginning on certain segments as soon as the design is completed and drawings and specifications become available for those segments.

With the advent of high-speed computing and massive data management capabilities, the various design components can now be incorporated into a single database producing integrated design in a digital format. Production information is being added to the database, resulting in a Building Information Modeling (BIM) model of the project that contains all information on the project in a unique digital format. The use of BIM is still in the early stages, but its use is evolving rapidly throughout the construction industry.

C. Procurement and Construction

Procurement refers to the ordering, expediting, and delivering of key project equipment and materials, especially those that may involve long delivery periods. This function may or may not be handled separately from the construction process itself. Construction, of course, the process of physically erecting the project and putting the materials and equipment into place, and this involves providing the manpower, construction equipment, materials, supplies, supervision, and management necessary to accomplish the work.
This stage moves toward conclusion with substantial completion of the project when the owner gains beneficial use of the facility. The conclusion of the project occurs when the terms of all contracts are fulfilled and the contracts are closed out. This closeout cycle is often part of a commissioning process that accomplishes many things, including bringing the facility on line, facilitating owner occupancy and turnover of facility operations to the owner, and closing out of all construction contracts. Many contractors follow the final closeout of the project with an internal postproject review from which the contractor gleans a great deal of information that helps to improve company processes and hence to mold the evolution of the company.

1.5 Owner

The owner, whether public or private, is the instigating party that gets the project financed, designed, and built. Public owners are public bodies of some kind and range from the federal government down through state, county, and municipal entities to a multiplicity of local boards, commissions, and authorities. Public projects are paid for by appropriations, bonds, or other forms of financing and are built to perform a defined public function. Public owners must proceed in accordance with applicable statutes and administrative directives pertaining to advertising for bids, bidding procedure, construction contracts, contract administration, and other matters relating to administration of the design and construction process.

Private owners may be individuals, partnerships, corporations, or various combinations thereof. Most private owners have the project built for their own use: business, habitation, or otherwise. However, some private owners do not intend to be the end users of the constructed facility; rather, they plan to sell, lease, or rent the completed structure to others. These end users may or may not be known to the owners at the time of construction.

A third classification of ownership in the form of a public-private partnership (PPP) has become popular. This tends to be subject to the rules and regulations governing public ownership since the partnership is typically used as a means to procure private financing for a public project.

1.6 Architect-Engineer

The architect-engineer, also known as the design professional, is the party or firm that designs the project. Because such design is architectural or engineering in nature, or often a combination of the two, the term architect-engineer is used in this book to refer to the design professional, regardless of the applicable specialty or the relationship between the architect-engineer and the owner.
The architect-engineer can occupy a variety of positions with respect to the owner for whom the design is undertaken. Many public agencies and large corporate owners maintain their own in-house design capability. In such instances, the architect-engineer is the design arm of the owner. In the traditional and most common arrangement, the architect-engineer is a private and independent design firm that accomplishes the design under contract with the owner. Where the design-construct mode of construction is used, the owner contracts with a single party for both design and construction. In such cases, the architect-engineer is a branch of, or is affiliated in some way with, the construction contractor.

1.7 Prime Contractor

A prime contractor, who is typically a general contractor, is a firm that contracts directly with the owner for the construction of a project, either in its entirety or for some designated portion thereof. In this regard, the owner may choose to use a single prime contract or several separate prime contracts.

Under the single-contract system, the owner awards construction of the entire project to one prime contractor. In this situation, the contractor brings together all the diverse elements and inputs of the construction process into a single, coordinated effort and assumes full, centralized responsibility for the delivery of the finished job, constructed in accordance with the contract documents. The prime contractor is fully responsible to the owner for the performance of the subcontractors and other third parties to the construction contract. The prime contractor may choose to self-perform certain parts of the work or may choose to subcontract all of the work to specialty contractors.

When multiple prime contracts are used, the project is not constructed under the centralized control of a single prime contractor. Rather, several independent contractors work on the project simultaneously, and each is responsible for a designated portion of the work. Each of the contractors is under contract with the owner, and each functions independently of the others. Responsibility for coordination of these contractors may be undertaken by the owner, the architect-engineer, a construction manager, or one of the prime contractors who is paid extra to perform certain overall job management duties.

1.8 Competitive Bidding

The owner selects a prime contractor on the basis of competitive bidding, negotiation, or some combination of the two. A large proportion of construction in the United States is done by contractors that obtain their work in bidding competition with other contractors. The competitive bidding of public projects is often required by law and is standard procedure for public
agencies. Traditionally, all public construction work has been done by this method, though recently some alternative approaches have been approved. When bidding a project, the contractor estimates how much the project will cost using the architect-engineer’s drawings and specifications as a basis for the calculations. The contractor then adds a reasonable profit to this cost and guarantees to do the entire job for the stated price.

Bid prices quoted by the bidding contractors most often constitute the principal basis for selection of the successful contractor, with the low bidder usually receiving the contract award. Most bidding documents stipulate that the work shall be awarded to the “lowest responsible bidder.” This gives the owner the right to reject the proposal of a bidding contractor if the contractor is judged to be unqualified for some reason. If its bid is selected, the contractor is obligated to complete the work in exchange for the contract amount.

Competitive bidding can also be used where the successful contractor is determined on a basis other than the estimated total cost of the construction. For example, where the contract involves payment of a prescribed fee to the contractor, the amount of the fee is sometimes used as a basis of competition among contractors. Construction management services are sometimes obtained by an owner using the fees proposed by the different bidders as the basis for contract award. This is often referred to as a fee-based bid.

1.9 Negotiated Contracts

At times it can be advantageous for an owner to negotiate a contract for its project with a preselected contractor or small group of contractors. It is common practice for an owner to forgo the competitive bidding process and to handpick a contractor on the basis of its reputation and overall qualifications to do the job. A contract is negotiated between the owner and the chosen contractor. Clearly, such contracts can include any terms and provisions that are mutually agreeable to the parties. Most negotiated contracts are of the cost-plus-fee type, a subject that will be developed more fully later.

1.10 Combined Bidding and Negotiation

An owner sometimes will combine elements of both competitive bidding and negotiation into an approach known as best value. In this approach, a portion of the decision is based on price and the rest on qualifications. In the best-value approach, the competing contractors are required to submit their qualifications along with their bids and are encouraged to tender suggestions as to how the cost of the project could be reduced. Competing contractors are often interviewed, in addition to submitting the bid and the qualifications statement. The owner then scores the bid and
the qualifications, awarding the project to the contractor with the best score. The best-value approach is now acceptable in many public-sector environments.

1.11 Subcontracting

The extent to which a general contractor will subcontract work depends greatly on the nature of the project and the contractor’s own organization. There are instances where the job is entirely subcontracted, so the general contractor provides only supervision, job coordination, project billing, and perhaps general site services. At the other end of the spectrum are those projects where the general contractor does no subcontracting, choosing to do the work entirely with its own forces. Customarily, however, the prime contractor will perform the basic project operations and will subcontract the remainder to various specialty contractors. Types of work with which the prime contractor is inexperienced or for which it is not properly equipped are usually subcontracted, since qualified specialty contractors generally are able to perform their specialty faster and less expensively than the general contractor. In addition, many construction specialties have specific licensing, bonding, and insurance requirements that would be costly for the general contractor to secure for intermittent use.

When the prime contractor engages a specialty firm to accomplish a particular portion of the project, the two parties enter into a contract called a subcontract. No contractual relationship is thereby established between the owner and the subcontractor. When a general contractor sublets a portion of its work to a subcontractor, the prime contractor remains responsible under its contract with the owner for any negligent or faulty performance by the subcontractor. The prime contractor assumes complete responsibility to the owner for the direction and accomplishment of the total work. An important part of this responsibility is the coordination and supervision of the various subcontractors.

1.12 Design-Bid-Construct

Traditionally, field construction is not begun until the architect-engineer has completed and finalized the design. This sequence is still predominant in the industry and is referred to as the design-bid-construct procedure. While completing one step before initiating the next may be acceptable to owners on some projects, it will be unacceptably slow to other owners. A number of financial considerations dictate the earliest possible completion date for many construction projects. It is possible to reduce the total design-construction time required for some projects by starting the construction before complete design of the entire project has been accomplished.
1.13 Fast Tracking

Fast tracking refers to the overlapping accomplishment of project design and construction. As the design of progressive phases of the work is finalized, these work packages are put under contract, a process also commonly referred to as phased construction. Early phases of the project are under construction while later stages are still in the design process. This procedure of overlapping the design and construction can appreciably reduce the total time required to achieve project completion. For obvious reasons, fast tracking and phased construction sometimes can offer attractive advantages to the owner and also can be the source of severe coordination problems.

1.14 Construction Contract Services

A myriad of contract forms and types are available to the owner for accomplishing its construction needs, and all of them call for defined services to be provided under contract to the owner. The scope and nature of such services can be made to include almost anything the owner wishes. The selection of the proper contract form appropriate to the situation is an important decision for the owner and is one deserving of careful consideration and consultation.

The construction contract can be made to include construction, design-construct, or construction management services, each of which is discussed in the next three sections.

1.15 Construction Services

A large proportion of construction contracts provide that the general contractor have responsibility to the owner only for accomplishment of the field construction. Under such an arrangement, the contractor is completely removed from the design process and has no input into it. Its obligation to the owner is limited to constructing the project in full accordance with the contract terms.

Where the contractor provides construction services only, the usual arrangement is for a private architect-engineer firm to perform the design in contract with the owner. Under this arrangement, the design professional acts essentially as an independent design contractor during the design phase and as an agent of the owner during construction operations. The architect-engineer acts as a professional intermediary between the owner and contractor and often represents the owner in matters of construction contract administration. Under such contractual arrangements, the owner, architect-engineer, and contractor play narrowly defined roles, and the contractor is basically in an adversarial relationship with the other two.
1.16 Design-Construct

When the owner contracts with a single firm for both design and construction and possibly procurement services, this is referred to as a design-construct project. This form of contract is usually negotiated, although occasionally it is competitively bid. Usually, the contractor has its own design section with architects and engineers as company employees. In other cases, however, the architect-engineer can be a contractor’s corporate affiliate or subsidiary, or the contractor can enter into a joint venture arrangement with an independent architect-engineer firm for a given project or contract.

The team concept is basic to design-construct. The owner, designer, and builder work cooperatively in the total development of the project. The contractor provides substantial input into the design process on matters pertaining to materials, construction methods, cost estimates, and construction time schedules. In recent years, owners have shown increasing acceptance and usage of this concept, largely due to the economies of cost and time that can be realized by melding the two functions of design and construction. Injecting contractor experience and expertise into the design process offers the possibility of achieving cost savings for the owner. Because fast tracking is possible under a design-construct contract, the owner may well have the beneficial use of the structure considerably before it would have under the more traditional design-bid-construct arrangement.

A turnkey contract is similar to a design-construct contract. The difference lies in the greater range of responsibilities that the contractor undertakes on behalf of the owner under a turnkey arrangement. For example, a turnkey contract often includes such services as land selection and acquisition, project financing, project equipage procurement, and leasing of the completed facility.

1.17 Construction Management

The term construction management is applied to the provision of professional management services to the owner of a construction project with the objective of achieving high quality at minimum cost. Such services may encompass only a defined portion of the construction program, such as field construction, or they may include total project responsibility. The objective of this approach is to treat project planning, design, and construction as integrated tasks within a construction system. Where construction management is used, a nonadversarial team is created consisting of the owner, construction manager, architect-engineer, and contractor. The project participants, by working together from project inception to project completion, attempt to serve the owner’s best interests in optimum fashion. By striking a balance between construction cost, project quality,
and completion schedule, the management team strives to produce for the owner a project of maximum value within the most economical time frame. Construction management does not include design or construction services per se but involves management direction and control over defined design and construction activities.

Construction management services can be performed for the owner for a stipulated fee by a range of firms, including design firms, contractors, and professional construction managers. Such services range from merely coordinating contractors during the construction phase to broad-scale responsibilities over project planning and design, project organization, design document review, construction scheduling, value engineering, field cost monitoring, and other management services. Selection of the construction manager by the owner is sometimes accomplished by a best-value approach, including both fee and qualifications as bases for contract awards. Usually, however, the construction management arrangement is considered to be a professional services contract and is negotiated. These contracts normally provide for a fixed fee plus reimbursement of management costs.

The Construction Management approach is practiced in two distinct variations. With Agency Construction Management, the construction manager operates throughout the project as the agent of the owner to manage the entire project in the best interest of the owner and does not perform any of the construction work. With Construction Management At Risk, the construction manager will, at some relatively early stage of design, provide cost and schedule commitments to the owner and take on the responsibility of completing the job within the time frame and cost stated. At that point, the project takes on the nature of a negotiated, fixed-sum project.

1.18 Fixed-Sum Contract

A fixed-sum contract requires the contractor to complete a defined package of work in exchange for a sum of money fixed by the contract. Should the actual cost of the work exceed this figure, the contractor absorbs the loss. The owner is obligated to make only such total payment as is stipulated in the contractual agreement. A fixed-sum contract may be either lump sum or unit price.

With a lump-sum contract, the contractor agrees to complete a stipulated package of work in exchange for a single lump sum of money. Use of this form of contract is obviously limited to those construction projects where both the nature and quantity of each work type can be accurately and completely determined before the contract sum is set.

A unit-price contract requires the contractor to perform certain well-defined items of work in accordance with a schedule of fixed prices for each unit of work put into place. The total sum of money paid to the contractor for each work item is determined by multiplying the contract unit price by the number of units actually done on the job. The contractor is obligated
to perform the quantities of work required in the field at the quoted unit prices, whether the final quantities are greater or less than those initially estimated by the architect-engineer. This is subject to any contract provision for redetermination of unit prices when substantial quantity variations occur. Unit-price contracts are especially useful on projects where the nature of the work is well defined but the quantities of work cannot be accurately forecast in advance of construction.

1.19 Cost-Plus-Fee Contracts

Cost-plus-fee contracts provide that the owner reimburse the contractor for all construction costs and pay a fee for its services. How the contractor’s fee is determined is stipulated in the contract, and a number of different procedures are used in this regard. Commonly used are provisions that the fee shall be a stipulated percentage of the total direct cost of construction or that the fee shall be a fixed sum. Incentive clauses are sometimes included that give the contractor an inducement to complete the job as efficiently and expeditiously as possible through the application of bonus and penalty variations to the contractor’s basic fee. A guaranteed maximum cost is frequently included in cost-plus contracts. Under this form, the contractor agrees that it will construct the total project in full accordance with the contract documents and that the cost to the owner will not exceed some total price.

1.20 Work-by-Force Account

The owner may elect to act as its own constructor rather than have the work done by a professional contractor. If the project is being built for the owner’s own use, this method of construction is called the force-account system. In such a situation, the owner may accomplish the work with its own forces and provide the supervision, materials, and equipment itself. Or the owner may choose to subcontract the entire project, assuming the responsibility of coordinating and supervising the work of the subcontractors. Because public projects generally must be contracted out on a competitive-bid basis, force-account work by a public agency usually is limited to maintenance, repair, or cases of emergency. Force-account work can also be coupled with other contracting methods discussed earlier in this chapter to handle specific aspects of the project that cannot be clearly defined or have undergone significant change. In such cases, the contractor performs the associated work at the direction of the owner and bills for these services on a time and materials basis.

Over the years, many studies have revealed that most owners cannot perform field construction work nearly as well or as inexpensively as
professional contractors. The reason for these findings is obvious: The contractor is intimately familiar with materials, equipment, construction labor, and methods. It maintains a force of competent supervisors and workers and is equipped to do the job. Only when the owner conducts a steady and appreciable volume of construction and applies the latest field management techniques is it economically feasible for it to carry out its own construction operations.

1.21 Turnkey and BOT Contracts

Fixed-sum, cost-plus-fee, and work-by-force account contracting methods all require owners to coordinate initial planning, design, construction, and facilities start-up. These tasks distract the owners from their core business responsibilities. For this reason, some owners also contract these responsibilities to the contractor. Turnkey and build-operate-transfer (BOT) contracts provide a vehicle for complete project delivery by the contractor.

In a turnkey arrangement, the owner provides the facility design requirements to the contractor, which designs and constructs the facility under a single contract. The single contract eliminates the need for owner coordination and reduces project duration. Upon completion, the key to the project is turned over to the owner and the contract is closed out.

BOT contracts are an extension of the turnkey method. The contractor designs, constructs, operates, and maintains the facility for a pre-determined concessionary period. In most cases, the contractor receives no payment from the owner for these services but retains all or a portion of the revenues earned by the project during the concession. This contracting method generally is used for bridges, highways, power plants, and similar projects that generate a long-term revenue stream. At the end of the concession period, ownership transfers from the contractor to the owner.

1.22 Integrated Project Delivery

A new type of project delivery system is emerging with the development of BIM. As previously indicated, in a BIM environment, all data for the project go into a massive database that is shared by all stakeholders in the project. Because the data are integrated into a single entity, all stakeholders who contribute and use the data become active participants in the entire project. The result is shared risk and shared reward across all stakeholders, which, in turn, requires a new type of contract that integrates all stakeholders into a single operational structure. Individual contracts between various stakeholders are no longer efficient in a BIM environment.

Integrated Project Delivery (IPD) ties all stakeholders together based on a single contract that is signed by each stakeholder. This includes the
owner, designer, contractors, and subcontractors. Such an arrangement of shared data, shared risk, and shared reward imposes the requirement upon the project of an efficient team approach. All succeed together, or all fail together. Though BIM and IPD are just emerging, as they evolve, they portend dramatic changes to the management of construction projects.

1.23 Speculative Construction

When owners build structures for sale or lease to other parties, they engage in what is commonly referred to as *speculative construction*. Housing and commercial properties like shopping centers and warehousing facilities are common examples of such construction. In tract housing, for instance, “merchant” builders develop land and build housing for sale to the general public. This is a form of speculative construction through which developers act as their own prime contractors. They build dwelling units on their own account and employ sales forces to market their products. In much speculative housing, contractors build for unknown buyers. In commercial applications, however, construction does not normally proceed until suitable sale or lease arrangements have been made. Leases are usually necessary so that the developers can arrange their financing. Leases also enable them to build to the lessee’s individual specifications. Most speculative builders function more as land or commercial developers than as contractors, choosing to subcontract all or most of the actual construction work.

1.24 Management during the Design Phase

Project cost and time control actually begin very early in the project with the project owner’s developing basic cost and time requirements necessary to justify the project. The design team respects the owner’s limits, constraining the design, as it evolves, to meet the owner’s cost and time boundaries. In the initial design stages, estimates such as annual cost to the owner and total life-cycle costs of the facility are made. Technical job standards are weighed against cost, function, maintenance, and appearance with the objective of minimizing the full cost of constructing, operating, and maintaining the new facilities over their useful life. As the design develops, construction methods and material alternatives are subjected to value analysis as a rational means of optimizing the entire construction process in terms of cost and time. Cost budgets—ranging from preliminary to final—are prepared as the design approaches completion.

Time control during the design stage is directed toward minimizing construction time consistent with project quality, safety, and cost. The delivery times of materials and project equipment are checked. Where long delivery
periods are involved, the design is changed or procurement is initiated as soon as the design has progressed sufficiently to allow detailed purchasing specifications to be drawn. Construction methods are chosen whose cost characteristics are favorable and for which adequate labor and construction equipment will be available as needed. A preliminary project time schedule usually is prepared as the design progresses.

1.25 Management of Field Construction

Discussions up to this point have demonstrated that owners have the option of using many different project delivery systems to get their projects built. Regardless of the variability of these systems, however, one party assumes management responsibility for the field construction process. Depending on the methods used by the owner, this party may be the owner, the architect-engineer, a construction manager, or a general contractor.

The management of field construction customarily is done on an individual project basis, with a project manager being made responsible for all aspects of the construction. For large projects, a field office usually is established directly on the job site for the use of the project manager and staff. A good working relationship with a variety of outside persons and organizations, such as architects, engineers, owners, subcontractors, material and equipment suppliers, labor unions, and regulatory agencies, is an important part of guiding a job through to its conclusion. Field project management is directed toward pulling together all the diverse elements necessary to complete the project satisfactorily. Management procedures presented later will, in general, be discussed only as they apply to field construction, although they are equally applicable to the entire project, from concept to commissioning.

1.26 Project Manager

The project manager organizes, plans, schedules, and controls all the work of the project and is responsible for getting the project completed within the time and cost limitations. The project manager acts as the focal point for all facets of the project and brings together the efforts of all organizations contributing to the construction process. He coordinates matters relevant to the project and expedites project operations by dealing directly with the individuals and organizations involved. In any such situation where events progress rapidly and decisions must be consistent and informed, the specific leadership of one person is needed. Because the project manager has the overall responsibility, this person must have broad authority over all elements of the project. The nature of construction is such that the manager often must take action quickly on his own initiative, and it is necessary that he be empowered to do so. To be effective, he must have full control of the job and be the one
voice that speaks for the project. Project management is a function of executive leadership and provides the cohesive force that binds together the several diverse elements into a team effort for project completion.

Though a single project manager is recognized for overall responsibility for a project, there are, in reality, numerous project managers involved in most projects. Generally, each entity will have its own project manager, designated to be the top person within the context of that entity that is responsible for the successful completion of its portion of the project. Thus, in addition to the general contractor, each specialty contractor will have a designated project manager for its portion of the project. The architect-engineer will have a designated person responsible for successful completion of the design of the project, and the owner will also have a designated owner’s project manager. Though the focus of this text is the general contractor’s project manager, the techniques and procedures presented are equally applicable to each of the project managers working throughout the project.

Large projects normally will have a full-time project manager who is a member of the firm’s top management or who reports to a senior executive of the company. The manager may have a project team to assist it or may be supported by a central-office functional group. When smaller contracts are involved, a single individual may act as project manager for several jobs simultaneously. An important aspect of a project manager’s position is that the duties normally are separate from those of field supervision. The day-to-day direction of field operations is handled by a site supervisor or field superintendent whose duties involve working with the foremen, coordinating the subcontractors, directing construction operations, and keeping the work progressing safely, smoothly, and on schedule. The fact is that construction project authority is a partnership effort between the project manager and the field superintendent, who work very closely together. Nevertheless, centralized authority is necessary for the proper conduct of a construction project, and the project manager retains that central authority.

1.27 Project Manager Qualifications

The effective project manager must possess four essential attributes. The first is a considerable background of practical construction experience to provide thorough familiarity with the workings and intricacies of the industry. In the case of project managers for specialty contractors, they must be thoroughly familiar with the details of construction in that specialty area, in addition to having an overall understanding of how construction operates at the project level. Without such a basic grounding in construction fundamentals, the project manager would be completely unprepared to carry out the responsibilities of the job.

Second, the project manager must have, or have available, persons with expertise and experience in the application of specialized management
techniques to the planning, scheduling, and control of construction operations. These procedures have been developed specifically for application to construction projects and are those discussed in this book. Because much of the management system is computer based, the project manager must have access to adequate computer support services.

Third, the project manager must have the capacity to step back from the complex details of daily construction operations and look into the future—planning for upcoming activities, checking material deliveries, determining manpower and training requirements, identifying possible changes to the work, and recognizing other potential problem areas that may develop.

Fourth, the project manager must have the personality and insight to work harmoniously with other people, often under very strained and trying circumstances. The manager, after all, cannot accomplish everything through its efforts alone. The project manager must work with and through people in the performance of its duties. Doing this requires an appreciation and understanding of the human factor. Without this, the other attributes, however commendable, will be of limited effectiveness.

### Key Points and Questions

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<tr>
<td>❑ The construction industry forms a large part of a national economy and affects all people, organizations, and institutions.</td>
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<td>❑ A construction project is complex, requiring extensive resources and masterful execution by a variety of skilled professionals and craft workers under the leadership of the project manager.</td>
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<td>❑ The structure of a specific construction project is based on one of many project delivery systems that best matches the characteristics of the project.</td>
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<td>❑ Resources a project manager employs to effectively manage a construction project include experience, both technical and human skills, vision, and the support of other experts.</td>
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<th>Review Questions and Problems</th>
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<tr>
<td>1. What is the approximate annual value of construction, and how does this compare to the gross domestic product?</td>
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<td>2. If each construction project is unique, how can it be governed by processes that are consistent from job to job?</td>
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<td>3. What are the three stages of development of a construction project?</td>
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<td>4. What unique part does each of the following play in a construction project?</td>
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<td>a. Owner</td>
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<td>b. Designer</td>
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1 Construction Practices

c. General contractor
d. Specialty contractor

5. What are the distinguishing characteristics of the following project delivery systems?
   a. Design-bid-construct
   b. Design-construct
   c. Construction Management
   d. Work-by-force account
   e. Turnkey
   f. Integrated Project Delivery

6. How can an aspiring project manager develop, or a practicing project manager improve, the four essential attributes required for an effective project manager?
2 Systematic Project Management

2.1 Introduction

The focus of this chapter is on management of the construction project as a whole. A construction project is made up of many small components that are integrated to form a single complex project. To have a successful project, various characteristics of that project, including time, quality, cost, and safety, need to be managed. This chapter introduces the various components that need to be managed for a successful project, which will be treaded individually in detail in the chapters that follow.

Learning objectives for this chapter include:

- Recognize the various components of a construction project that need to be managed if the project as a whole is to be successful.
- Understand the nature of a construction project that consists of various construction processes that can be tracked, measured, and managed.
- Introduce valuable tools employed to manage the project and its various processes.

2.2 Need for Project Management

On most construction projects, the contractor is given only one opportunity to establish cost and schedule objectives. The price is set and schedule milestones are agreed to when a bid is submitted or the project contract is
negotiated. From that point on, profits are determined by the project manager’s ability to save money through wise procurement, better planning of daily operations, and the ability to make sound decisions. If a project is to be constructed within its established budget and schedule, close management control of field operations is essential. Project conditions such as technical complexity, timely completion, resource limitations, and substantial costs put great emphasis on the planning, scheduling, and control of construction operations. Unfortunately, the construction process, once set into motion, is not a self-regulating mechanism and requires expert guidance if events are to conform to plans.

It must be remembered that projects are one-time and largely unique efforts of limited time duration that involve work of a nonstandardized and variable nature. Field construction work can be affected profoundly by events that are difficult, if not impossible, to anticipate. Under such uncertain and shifting conditions, field construction costs and time requirements are changing constantly and can seriously deteriorate with little or no advance warning. The presence of uncertainty in construction does not suggest that planning is impossible but rather that it will assume a monumental role in the success or failure of the project. The greater the level of uncertainty in the project, the greater is the need for exhaustive project planning and skilled and unremitting management.

Under most competitively bid, fixed-sum contracts calling for construction services only, the general contractor exercises management control over construction operations. Self-interest is the essential motivation in such cases, the contractor being obligated by contract to meet a prescribed completion date and to finish the project for a stipulated sum. The surest way for the contractor to achieve its own objectives, and those of the owner in the bargain, is by applying systematic project management.

Serving the best interests of the owner is the primary emphasis of project control under other forms of contract. Field management under design-construct, construction management, and many cost-plus contracts is directed principally toward providing the owner with professional advisory and management services to best achieve the owner’s objectives.

2.3 Project Management Characteristics

In its most common context, the term *management* relates to the planning, organizing, directing, controlling, and staffing of a business enterprise. Business management is essentially a continuing and internal activity involving that company’s own personnel, finances, property, and other resources. Construction project management, however, applies to a specific project, the various phases of which usually are accomplished by different organizations. Therefore, the management of a construction project is not so much a process of managing the internal affairs of a single company