

Episode 27

Does Hiring a Project Manager Save Money?

The show notes: www.houseplanninghelp.com/27

Intro: For our featured interview today I'm chatting to Mike Jacob from Trunk Low Energy Building. His company operates project management services for low energy builds in South East England, so I got underway by asking Mike to explain the role of project manager.

Mike: There are various answers that I could give but I think the simplest one is the role that I take for all my clients is that of their right hand man. I'm the person that helps them turn a project that has previously only existed on paper into something that they can move into.

There are two main types of project management. There is the type that traditionally an architect would have carried out, the role of what's referred to as contract administration, whereby the architect will have completed his planning work, he will have carried out some detailed design, he will have produced some construction drawings and information ready to take out to the market and tender. At that point, assuming that the client was going to pay a main contractor to build their project for them, the architect at that point would effectively manage the contract and oversee the works if there was a main contractor involved. That's known as contract administration and that's effectively one type of project management.

The other type of project management is where there is no main contractor at all and you will have a whole raft of subcontractors that the client employs instead of the main contractor. Most people when they think of project management think of this type, is that somebody like me comes along, takes the reins and not only helps to tender the subcontracts and identify which subcontractors to go to but then to set up all the individual subcontracts and manage the process from beginning to end.

It's a much broader role than that with many many soft sides to it. You know, you become the client's confidant, you become their trusted advisor, you become the person that is critical as far as

they're concerned for the success of failure of their projects. So it's quite a responsible role really. [Mike laughs.]

Ben: Does every project need a project manager?

Mike: No, not if the client is perfectly capable of doing it themselves or if for example the client was appointing, let's say it's a house, there are companies out there that offer fully managed services. They are usually known as turnkey companies that will do the whole thing for you but you'll find that there will be somebody that you are still employing that's carrying out a project management function. It's just that they're dressed up differently and they are not independent, they are part of a wider offering.

So I think either you've got to do it yourself or you'll probably spend more money going to a turnkey provider, who'll have somebody wrapped up in the whole package who's doing it anyway.

Ben: Is the turnkey solution always going to be more because you actually have less involvement?

Mike: Yes, I think you're paying a premium to get a product. Most turnkey offerings out there are a complete package that people have invested a lot of time and money in defining as effectively a brand, so you will definitely pay more for that but some people like that. The Huf Haus is a prime example, really.

Ben: 7 days. I'll never forget that episode of Grand Designs! What are the key qualities of a project manager?

Mike: Calm under pressure, innate critical path analysis skills, good head for numbers, good diplomacy and I think really having just a combination, it's a weird mix of soft and hard skills. You've got to be brutal and ruthless and tough but you've also got to be kind of soft, if you're going to be good at it anyway and get the best out of not just subcontractors but out of your relationship with the client. You've got to excel in the soft skills as well.

Ben: Clearly this is something that people do sometimes themselves. How would you know what to expect if you're taking this all yourself or do you just have to learn this the hard way?

Mike: They would need to be prepared for some very very long days, lots and lots of emails, phone calls, lots of stress, healthy stress, lots of queries. I think that the expectation that anyone coming in

to do this fresh for the first time should have ultimately is that it's going to be bloody hard work, I would say is the main thing. [Mike laughs.]

Ben: So what are some of the benefits then, we're hiring a project manager, what does that allow us to do?

Mike: It allows you probably to sleep a bit better at night, knowing that you're employing somebody whose sole job it is, whose particular skill set it is to focus their attention exclusively on doing things day in day out that you want them to do. That confidence is underpinned by the fact that you're going to be getting a degree of certainty over what you're going to spend and how long it's going to take and any other measurables that you wish to define, really.

In terms of the projects that I manage, that really is linked to the performance of the building envelope so for example, airtightness is something you are also getting. If you are employing a project manager like me who focusses on Passivhaus and low energy buildings, you know that you're going to be getting somebody who is all over the project like a rash to make sure that the building, when it is tested, actually performs in the way that it's meant to, because there are so many intricate areas where a Passivhaus or low energy project could start to veer off track, which if somebody hasn't got a tight grip, especially if it's a subcontractor or a trade by trade scenario where there's no main contractor being accountable for it, you've got manifold risks of multiple third parties, any one of whom could mess things up.

So you're getting confidence, peace of mind, a certain degree of certainty and assurance about cost and time, but it is worth stressing that the fundamental difference between employing a main contractor to deliver a project for you and going down the subcontractor route with a project manager is that it's not possible to enter into a fixed price, lump sum contract with a range of subcontractors. So, you really only have that option if you're employing a main contractor. So in that instance it's kind of perceived from a client's perspective to be the least risk approach, because you can say before anyone starts work, you can say we're signing a contract that says it's going to cost X and it's going to take this amount of time and if it doesn't we can penalise him because it's overrunning and that's great.

I guess the reason that the alternative route exists is because there is the potential to make quite substantial savings against the main contractor route because that's loaded with premiums, because clearly that contractor is taking on all that risk himself so he would, generally speaking, add a certain level of profit into the job in order to protect himself to make sure that it's viable, quite rightly so from his perspective. If you remove that from the equation, that opens up quite a big area where it's possible to, over the duration of the project, to generate savings, but of course you don't know until you get to the end whether you've realised those savings or not.

So partly what you're employing a project manager for is to ruthlessly manage that process so that you are on track to make savings against what it would have cost you had you employed a main contractor to get on with it.

Ben: How do you know your project manager is worth his salts?

Mike: It would be a good idea to check his credentials. A good place to start would be if he is a chartered member of The Chartered Institute of Building and that is recognised around the world. So if he's got the letters MCIQB after his name, that's an independent, professional accreditation that effectively says that this person is at management level in the construction industry. I guess that would be a sure-fire way.

Beyond that I would say check references. If you're getting a referral to a project manager from somebody who has used them before, that's a pretty good indication of whether they're worth their salt or not. If it's someone you've just found in the back of the paper, that's just Joe Bloggs Project Management then do your homework.

Ben: Is it more relevant on a low energy build to have a project manager?

Mike: I think the answer to that is yes, for a couple of reasons. Firstly I've already touched on the airtightness which is vital to manage. Secondly I think the way that a lot of low energy building is going, in order for people who are involved in building systems to be able to guarantee things like building performance, there's a lot more either off-site or modern methods of construction coming onto the market, a kind of packaged approach to building, which logically veers you away from employing a main contractor

anyway because the job is already falling into neat chunks and packages.

So for example, you might be clear in your mind that you want a timber frame house. That timber frame company may provide already a guaranteed airtight shell, which could be erected fairly quickly. Now the project manager would do everything else in relation to the site set-up and the groundworks and making sure that all of the follow-on trades are lined up to finish off. In that scenario and it may be a concrete frame, it may be any other of the variants on modern methods of airtight, super-insulated construction but that logically you've got a big old chunk of the project that is a managed package with a guaranteed performance. Now, if you were then to add a main contractor's overhead and profit on top of that package and for that two months the main contractor is sitting around not really doing anything, it's a very inefficient way to spend money to get the same outcome.

So, to answer your question about low energy or Passivhaus projects presenting a more logical case for a project manager, I think yes on grounds of performance but also on grounds of cost, especially with the way that things are becoming more defined as packages now.

Ben: Can we recap over what areas you look after, specifically for the clients? So, if you had to break it down into different categories, so that we can have a look at those.

Mike: Yes, I have at the head of my scope of services that I sign with any of my clients I have some fairly qualitative things, which I offer or that I consider to be very important elements of what I do for any of my clients, which is really to try and think like them so that I am trying to put myself in their shoes all the time to get an empathetic understanding of what it is that they want to get out of this project. So that doesn't necessarily just mean the amount of money they want to spend or how quickly they want to move in or what it's supposed to look like and what they may have specified in terms of materials but are there broader more qualitative things that matter to these people as individuals.

For some of my clients it's very very important that there's a positive ethos on site at all times and that informs the sort of subcontractors that I may invite to tender. If I feel that a highly-skilled subcontractor may actually bring a completely negative atmosphere to site, then in that instance, based on that

qualitative criteria, and for that client then that wouldn't be appropriate for me to bring them on site because it would upset the equilibrium. [Mike laughs.]

So there's all that sort of stuff as well to think about. It's really what matters to them as individuals beyond the obvious things like cost and spec and time.

Ben: Does that mean then that a lot of what you do is using the knowledge that you've built up over time, all of those contacts, that anyone coming fresh into project management just wouldn't have?

Mike: That's an interesting point because I think there is a risk. If you end up with a bulging contact book and: "Oh yeah, this would be perfect for my mate Stuart and my mate Dave and my mate Bill to come and pitch for this work." You run the risk of getting into jobs for the boys, really. Especially if you restrict yourself geographically and say: "Well I only work in this area and I've got everybody lined up that you could ever wish for to deliver your projects." Then I think that you are not acting in a truly independent manner with your client's best interests at heart.

I'm saying that on the basis that I currently operate in a fairly wide area and in each of those areas I do have some contacts, I have some people that I like to invite to tender but I will always put them up against people I know nothing about at all, that I've researched and on the basis of my research and whether I think they're appropriate or not I will put them alongside so that everything is ruthlessly fair.

I guess the rule of thumb is for everything you're going to tender you tender it to a minimum of three companies or subcontractors and you make a truly impartial, fair assessment on the basis of the feedback you get, before helping the client to ultimately make a decision about who to employ.

Ben: Is there a set pay structure that I should be looking to when I hire a project manager?

Mike: Yes, there are benchmarks. It's all negotiable of course and people do it in different ways but the way I do it is I prefer not to have a variable fee that fluctuates in accordance with how much the project is going to cost. That's quite a common way of doing it and architects typically would base their fees on this percentage basis as well whereby you say: "I'll charge you 9% of

the build cost, whatever the build cost turns out to be.” That fee can end up being quite a bit more than the client might have anticipated in the first place and again having been in the client’s shoes in the past I know that that can leave a pretty sour taste in your mouth, especially if you think that individual was not acting always to try and manage costs, because actually it’s in their best interests for things to cost as much as possible. [Mike laughs.]

So I agree a fixed fee upfront once the budget has been agreed. Before any work starts you effectively have a working budget, which you sit down and transparently scrutinise with the client. The client has to have a lot of input as well, clearly. Then the fee would depend what type of project management it was, so if it was the first type that I described, contract administration, where you have a main contractor, then the fee is a little bit less than it would be for the other type because the time on site, the management input. It’s a lot more intensive, clearly, if you’re having to manage a whole range of subcontractors as opposed to just one single contractor.

The fee range would be, it is percentage based, clearly that’s, well it’s not the only way but it’s the way I do it is that the fixed fee is derived from a percentage which would be, let’s call it roughly 5% for the contract administration, roughly 9 or 10% for the subcontractor approach and you agree it upfront and you fix it upfront and then draw down in stage payments monthly. That’s the way I do it.

It could all be done on an hourly rate, of course, just depending on how many hours you put in per week and I do know people that do do it like that or people that derive a fixed fee based on anticipated time input moving forward. So there’s no governing body saying this is how much you must charge but there’s a general understanding that there are benchmark parameters and that one type of project management costs more than the other.

Ben: When is the best time to introduce a project manager? Is it at the beginning?

Mike: I would say yes, because the biggest benefit to having the earliest involvement from not just a project manager but talking about myself, a project manager who understands Passivhaus and low energy construction intimately is about helping the design to evolve in a way that is mindful of the physicalities of

constructing it, bearing in mind how much money the client wants to spend and what they want to achieve at the end of it.

It may simply be that the early, early involvement is fairly hands off, but it's just about setting some parameters and being part of that design team so that a feedback loop can take place whereby early iterations of the design can be circulated and it may well be the case that somebody in my shoes might turn round and say: "Well, actually I'm afraid that particular detail is going to blow the budget or it's going to make it incredibly difficult to achieve airtightness." Or whatever it may be.

So just having that, even if it is hands off and relatively low cost in the early stages, I think it pays dividends to get the earliest involvement possible. I'm saying that from experience as well.

Ben: How much of this is about the planning, really? It's about those early stages of getting the right people in there, organising it, setting it up, and then maybe, I don't know, does that mean that there's less emphasis of you having to keep an eye on everyone the whole time because things are more in motion, they've been planned?

Mike: Yes, I think that's correct. There's a term that's often associated with project management and critical path analysis. If you define the critical path of project early on and earmark the key milestones that are going to come up, that you need to be anticipating and planning for, then yes there is actually some truth in the fact that a well assembled, properly briefed, well functioning team can kind of get on with it, really. But there needs to be a degree of oversight and forward planning put in place first in order for those wheels to be put in motion.

Actually it very rarely works like that but when it does it's great because you can set things up, put all the pieces in place, press go and then drop in and out at the early stages. That's great. That's why my preference is to have the earliest possible involvement.

Ben: We're coming towards the end of the interview and I just wondered, having had this chat whether you can sense anything that I'm not understanding about project management, anything that I should be perhaps asking more questions about?

Mike: What an interesting role reversal question. I think that potentially like a lot of people, you think *What am I actually paying for?*

What is the tangible offering? Do you have a clear enough understanding of that or does it still seem like quite a mysterious profession?

Ben: Well, I can just imagine that once I've been through this I'll know what a project manager does! [Ben and Mike laugh.] So I'm trying to think what can I ask now that can mean I actually understand more about it before I've employed my project manager or I've decided to tackle it myself.

Mike: Yup, I don't know whether this will help or not. It might help crystallise things. I've just come from a meeting with a potential client. He knows he definitely does not want to appoint a main contractor. He doesn't want to go to a single builder and employ him to build his house for him. He knows he does not want to do that because there are certain things that he's heard about the risks of going down that route that are naturally veering him more towards employing a range of subcontractors.

He knows that he is not very good at handling stress. He's not particularly well organised and actually he doesn't know anything about building, so he wants to employ someone to take hold of that scenario and deliver him a house to move into in 12 months time. That's really what the project manager does. They put that hat on, they take charge of that situation, they deliver a project, typically where there is no main builder involved.

The confusion does arise from the fact that a project manager can also manage a main contractor if a client does want to go down that route, but because that's a role that an architect would normally do, it's less common for a project manager to do that type of project management. It's much much more common for the project manager to work directly for a client whose employing a range of subcontractors, to keep a handle on cost, time and quality. Those are the three key things that the project manager is in charge of – cost, time and quality.

Again, it's a cliché but the one thing a project manager must make the client aware of, that while cost, time and quality are the three things that he's looking after, they can't actually have all three at the same time. So there'll inevitably be a process of helping them to understand what's the most important. So if it's a project where they've got a tight budget then cost clearly is king, then one of the other two will potentially have to suffer a little bit and that's usually quality in that they may have to spend less money on a kitchen in order to bring the thing in under budget. A

crude example, but that's a simple illustration of what I mean by that.

Ben: Does that have an official name? I'm sure I've seen that on a presentation somewhere as a big triangle.

Mike: I don't know. Probably. [Mike laughs.] It's an old cliché.

Ben: Well, Mike, some brilliant information in this. I appreciate your time and thank you very much.

Mike: Pleasure. Nice to meet you. Thank you.