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Title: Request for Analysis / Comparison
Outsourcing PM Services vs In-house PM Positions

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Report

The decision to outsource program/project management (PM) services or provide the resources with in-house positions can be viewed as a philosophical decision with each side having pros and cons to consider. There are several practical factors that can be analyzed with a quantitative approach, although it would be difficult to provide a true apples-to-apples comparison.

In a general subjective sense, and therefore difficult to quantify, the following items can be considered as advantages to outsourcing PM services:

Flexibility - the ability to staff up and staff down as the needs fluctuate over the course of a building program, specifically tailored to meet the program needs.

Access to SME – the ability to easily and efficiently obtain various resources and Subject Matter Experts (SME) that may be needed.

Proven Process – the PM firm typically brings a proven process for their services that can be quickly adopted by clients to easily launch a program.

Risk Transference to a 3rd Party – an experienced PM firm brings seasoned staff and lessons learned from a broad background and provides professional liability insurance for their services.

Public Perception – the public will typically react positively to the expertise of a professional PM firm whose core business is to provide PM services to public owners.

Marketplace Awareness – the design and construction marketplace knows PM companies, and in many cases provides better pricing and services based on a positive working history relationship.

There are some differences that can be quantified with estimated costs. See table below for a comparison for a single employee at a pay rate of \$40/hr for both sides (showing annual amounts).

Category (annual amounts)	In-house PM \$40/hr x 2080 hrs/yr		Outsourced PM \$40/hr x 1960 hrs/yr	
Base Salary Cost	\$ 83,200		\$ 78,400	
Direct Personnel Expense (DPE)	\$ 33,280	40%	\$ 101,920	1.3
Subtotal - Staff Costs (labor and benefits)	\$ 116,480		\$ 180,320	2.3
Certification, registrations fees (PE, AIA, ALEP, CCM, LEED)	\$ 5,000	LS	Included	
Continuing education, training, etc.	\$ 500	LS	Included	
Conferences, industry networking, etc.	\$ 1,200	LS	Included	
Human Resources - interviewing, hiring, reviewing, payroll	\$ 5,824	5%	Included	
Retirement, pension, etc. (not covered in DPE above)	\$ 3,494	3%	Included	
On-boarding / off-boarding costs of staff changes	\$ 5,824	5%	Included	
Flexible financing (ability to earn interest by deferring payments)	\$ 3,700		NA	
Subtotal - Added Costs	\$ 25,542		\$ -	
Estimated Totals	\$ 142,022		\$ 180,320	

In most cases, the costs to outsource PM services will likely exceed the cost of providing in-house resources as shown above. However, many owners see that the intangible benefits that are difficult to quantify offer significant advantages, and therefore consider outsourcing as a viable option. Oftentimes, a hybrid (or blended) solution is the best solution and offers the advantages of both approaches.