

OPERATING SYSTEM 2.0 INDUSTRIAL AFFILIATES PROGRAM

REDEFINING THE CAPITAL PROJECTS BUSINESS MODEL

OPERATING
SYSTEM 2.0OUR **VISION**A “NO ONE GETS HURT” APPROACH
TO CAPITAL PROJECTS

Operating System 2.0 (OS2) is a new capital projects business model where projects are executed by a community of like-minded companies that work together to ensure no one gets hurt. This philosophy extends beyond personal safety to include financial and reputational safety. In this “neighborhood” the participants will collaborate, acting more as neighbors than as adversaries. The neighborhood delivers more predictable business results, with less risk, and more stable ROI. These results are enabled by a commercial model that reduces transactional waste, manages risk with transparency and flexibility, and supports a healthier business climate for all companies.

OUR **CHALLENGE**PRESERVE THE CAPITAL PROJECTS
SUPPLY CHAIN

The capital projects business model binding investors with construction industry product and service providers is still characterized by a lack of trust, excessive friction in transactions, and burdensome financial waste – preventing real progress.

- Risk is poorly managed and understood
- Incentives promote adversarial participant behavior
- The industry lacks an improved commercial model that activates its vast knowledge network to develop better solutions

If we don’t act now, the capital projects supply chain may become damaged beyond repair.

98%

of mega-projects
>\$1 Billion experience
cost overruns

Source: B. Bechtel

95%

of all projects FAIL
to meet one or more
of their business
objectives

Source: CII

70%

of all projects are
not completed within
10% of budgeted
cost or schedule

Source: CII

41%

of project capital
is WASTED ON
TRANSACTIONS

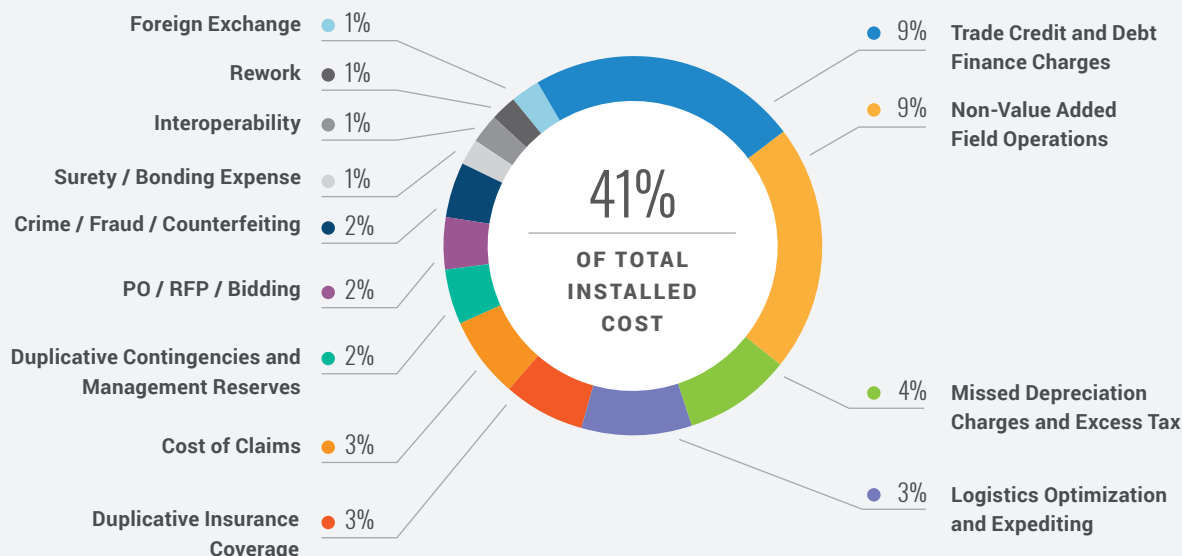
Source: CII/NTNU

OUR RETURN ON INVESTMENT

DELIVERED BY A HEALTHY INDUSTRY THAT ELIMINATES WASTE

Inefficient transactions are the largest source of waste on capital projects. The OS2 IAP will slash significant transactional costs and their negative effects on schedule, predictability, productivity, and quality, to enable greater capital efficiency as well as increased profitability for supply chain members.

Typical Sources of Transactional Waste



Source: CII Working Paper - Transactional Waste

IMPACT OF OS2 IAP

35%

The OS2 IAP is predicted to drive a **35% decrease** in total installed cost through the elimination of transactional waste. This improvement, coupled with a substantial reduction in schedule, will result in significantly improved return on investment.

OUR APPROACH

CREATE A NEW COMMERCIAL MODEL FOR CAPITAL PROJECTS

- ▶ Our goal is to create a healthy and robust engineering and construction industry that works for all stakeholders.
- ▶ We're creating a common digital platform to better assess and manage risk and engage partners collaboratively to get their best ideas up front.
- ▶ As we adjust to and recover from the current global pandemic, preservation of the industry supply chain is critical. The OS2 IAP is seizing this opportunity to create a healthier industry.

We're working with cutting edge researchers and experts to establish visionary business models, improve supplier engagement, enable dynamic risk modeling and management, and better utilize technology for contracting and information sharing. While this is a long-term effort requiring significant industry mobilization for ultimate success, we have developed a research plan that will begin showing results in the early 4th Quarter of 2020. We will be able to pilot and test several new approaches.

By participating in the OS2 IAP, your organization has the opportunity to guide the process and will be first in line to benefit from this groundbreaking effort.



The University of Texas at Austin
3925 W. Braker Lane (R4500)
Austin, Texas 78759-5316
(512) 232-3000

OPERATING
SYSTEM 2.0

os2.construction-institute.org
os2@utexas.edu