WELCOME!

A few items to share while we wait to get started …
Upcoming CII Research Team Presentations:

Q: What happens to the CII Research Teams that were scheduled to present on stage this summer at the (cancelled) CII Annual Conference?

• All Research Teams will have an “on demand” video in the CII Knowledge Base.

• CII’s Technology Committee’s “Path for the Future” will be ready next month!

• AWP Virtual Summit (September 2020 – exact date TBD)
  -- Featuring FOUR CII Advanced Work Packaging (AWP) Research Teams

• Collaborative Scheduling Research Team’s recording will be available by Fall 2020

• PDRI for Mining will be ready in October
CII-CURT Safety Survey

• 45 of 101 CII Owners & Contractors have submitted data
• Goal is 76 (75%)
• Deadline extended to June 30
• Contact zhe.yin@cii.utexas.edu

Goal = 76 Companies
Do you follow CII on Social Media?

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Subscribe to CII’s YouTube Channel!
https://www.youtube.com/user/CIIProjectSuccess

Get Engaged!
Webinar Information

• Webinar will be recorded
• Recording and slides will be available at http://www.construction-institute.org/blog
• Ask questions via “Questions” box
When Using the GoToMeeting Polling Feature:

If your poll “window” is maximized, you may experience difficulties responding to the questions.

However, if you minimize your poll window, you should be able to respond.
Assuring Fairness and Profitability in the Next Normal
An Information Session about the New OS2 Commercial Model and an Opportunity to Impact CII's Research Program

CII Webinar | June 25, 2020
Today's Presenters (OS2 IAP Co-Directors)

► Dr. Carlos Caldas
  – UT-Austin Professor (CAEE)

► Dr. Stephen Mulva
  – Director, CII
As we adjust to and recover from the current global pandemic, preservation of the industry supply chain is critical. OS2 is seizing this opportunity to create a healthier industry.

OS2 goal is to establish a new capital projects business model to:
- Allow the execution of projects in a more collaborative way by using a community of like-minded companies that work together to ensure no one gets hurt, acting more as neighbors than as adversaries.
- Deliver more predictable business results, with less risk, and more stable ROI.
- Reduce transactional waste, manage risk with transparency and flexibility, and support a healthier business climate for all companies.
Operating System 2.0 (OS2) Challenges

- Current business model is still characterized by a lack of trust, excessive friction in transactions, and burdensome financial waste.
- Risk is poorly managed and understood.
- Incentives promote adversarial participant behavior.
- Lack of 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.
Operating System 2.0 (OS2) Benefits

- 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.
Operating System 2.0 (OS2) Approach

► Work with cutting edge researchers and experts to establish enhanced business models, improve supplier engagement, enable dynamic risk modeling and management, and better utilize technology for contracting and information sharing.

► Create a common digital platform to better assess and manage risk and engage partners collaboratively to get their best ideas up front.

► 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.
Poll (Challenges in the Next Normal)

What are the main challenges for the capital projects industry in the next normal? (check all that apply)

A. Ability to deal with uncertainties and properly manage risks
B. Low return on investment
C. Reductions on capital budgets
D. Preservation of the construction supply chain
E. Lack of collaboration
The OS2 IAP

www.os2.construction-institute.org
OS2 IAP Affiliates

ExxonMobil

BHP

Suncor

EDRC

COAA
Research on shared success commercial models and practices that can streamline business transactions related to project delivery with current focus on the following areas:

- Organization Relationships and Behaviors
- Partner Selection
- Risk Management
- Supply Chain Rationalization
- Business Support for Practice and Technology Deployment
Goal Congruency and Alignment

OS2 IAP Current Research Topics

Supplier Engagement

Dynamic Risk Model

Blockchain for Smart Contracts and Risk Management
Goal Congruency and Alignment

- Organizations typically interact with one another as “strangers,” requiring contracts to define their interactions and to shift risk, often disproportionately, onto the other party.

- However, companies that act as “neighbors” collaborate, working together to deliver the project’s business objectives and building a “neighborhood” that should outlive the project.

- This research will explore how we can create an effective “neighborhood” of collaborating owners and supply chain partners for capital projects.
Existing capital project supply chain engagement methods usually don’t fully engage the expertise, knowledge, and innovation of service providers, contractors, and suppliers.

Many times suppliers are engaged late since they are in the lower tiers of the supply chain. Other industries have invented more successful approaches to engage suppliers.

This research will search for and apply leading practices that can improve the effectiveness of buyer-supplier relationships in capital projects.
Dynamic Risk Model

- Risk occurs dynamically over the life cycle of a capital project and needs to be managed continually as conditions change throughout execution.
- Risk is impacted by the many project organizations whose perceptions of risk can differ widely.

This research will develop novel, collaborative, dynamic methods to identify, assess, and allocate significant capital risks at different levels: owner, project, contractor, and user.
Blockchain for Smart Contracts and Risk Management

Blockchain technology allows users to control access to information, are immutable and easily auditable, can automate functions, and can be connected to enterprise systems for real-time visibility of transparent data to all project participants.

This research team will apply state-of-the-art thinking and technology to explore how this technology can facilitate trust, enhance security, speed up transactions, and improve the economic performance of capital projects.
Poll (Research Interests)

Which of the four OS2 research efforts are you interested in assisting?

1. Collaborative relationships amongst companies in a “digital” neighborhood
2. Earlier supplier engagement to drive innovation and responsiveness
3. Dynamically and appropriately allocating significant capital risks
4. Capital efficiency gains from implementation of blockchain / smart contracts
Pilot Projects

► Goal 1: Study the benefits of new business models by analyzing their potential impact on completed projects.

► Key considerations:
  – Working relationships
  – Engagement of suppliers and vendors
  – Risk management
  – Use of technology to streamline business transactions

► Goal 2: Deploy OS2 research findings by executing a smaller capital project with a cohort of 8-12 firms coordinating within a “digital” neighborhood
Path Forward

- Advance a **new commercial model** and systems to assure **fairness and profitability** for all capital project stakeholders in the next normal.

- An atypical approach:
  - Non-traditional researchers (business, psychology, and engineering)
  - Long-term “neighborhood” perspective beyond single projects
  - Tackling the largest sources of “transactional” waste
  - Starting with a focus on risk and technology (multiparty computing)

- Please join CII on this landmark effort by agreeing to be interviewed by the University of Texas researchers – participants will receive results.
Poll (Research Participation)

► Please indicate the extent to which you are willing to assist the OS2 research effort (check all that apply):

A. I am willing to interviewed (~45 minutes) by one of the research teams in my indicated area of interest
B. I am willing to make introductions for the researchers with some of my key suppliers or customers in order to improve commercial relationships in the industry
C. I am interested in helping with the OS2 pilot projects (examination of past projects or the planning, design and execution of a new, small project using OS2 principles)
D. While I can’t directly participate in the research at this time, I’m interested in learning more about OS2
E. Other – please contact me
Research Team Information Sessions

► **Blockchain for Smart Contracts and Risk Management**
  - Date: June 30, 2020 at 3 pm Central Time
  - Meeting Information: https://utexas.zoom.us/j/91501064030?pwd=Ujl5empJeDREb25HR3J0VUFpNi80QT09
  - Meeting ID: 915 0106 4030
  - Password: 729932

► **Supplier Engagement**
  - Date: July 9, 2020 at 2 pm Central Time
  - Meeting Information: will be provided later
Thank you!