Construction Industry Institute

2008 Annual Report

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Mission Statement

Through research-based, member-driven knowledge creation, dissemination and implementation, development of best practices and assessment of the impact of resulting improvements, CII creates global, competitive, and market advantages for its members. Through CII, member organizations and their employees cooperatively engage with academics in the creation of knowledge, including CII Best Practices. This collaborative effort adds value to member organizations and academia, and supports the professional development of employees, improving the entire industry. CII provides a forum for academics to discuss and investigate, in partnership with industry leaders, the most significant opportunities for industry improvement.



Chairman's Remarks

CII celebrated its 25th anniversary with an outstanding year of accomplishments. As chairman, I am to ensure that CII show its members high returns on investments with appropriately leveraged value and I believe 2008 was one of the our strongest years ever. This assessment is based on the work accomplished in every CII key thrust area including Executive/Strategic Planning, Knowledge Creation, Knowledge Dissemination, Knowledge Management, Knowledge Assessment, Branding Implementation, and Membership. In addition, our 25th Anniversary Conference was a tribute to the thousands of people who have been associated with CII over the years.



One of the significant aspects of our 25th anniversary celebration was the inclusion of young people at both our Anniversary Conference and our fall Board of Advisors meeting. We introduced first place recipients, all high school and college age, from three nationwide construction competitions: the Caterpillar Princesses of Destination Imagi-Nation, ASME's Concrete Canoe winners from the University of Nevada-Reno, and the Ditch Witch Construction Challenge winners from Oklahoma. CII intends to continue this youth outreach effort.

At our 25th Anniversary Conference in Keystone, Colorado, we melded the past, present, and future to create a special reminder of the greatness and importance of this industry. Our latest research results were showcased and three of CII's founding fathers, Richard Tucker (University of Texas), Charlie Brown (DuPont), and Ted Kennedy (BE&K), discussed the need for relevant research and collaboration amongst owners, contractors, and academia. We are indebted to them and all of the founding members for their pioneering work that led to the creation of CII, the leading collaborative construction research institute in the world.

I am particularly pleased with our new strategic mapping process. Given the unprecedented economic challenges we now face and the relevance this industry has in the ultimate solution, CII is now better positioned to contribute more quickly during this time of need. The new mapping process will help guide CII, particularly each of the committees. We are fortunate to have an outstanding group of industry professionals and academic leaders who can meet challenges head on.

My involvement with CII during the past 12 years has allowed me to see first-hand the incredible desire by individuals across the entire industry spectrum to collaborate to improve our industry. I know of no other organization that can make the substantive improvements that will benefit so many people and organizations around the world. Thanks to all of you for making my year a most rewarding and privileged experience. As good as the 25th anniversary year was for CII and its members, I know full well it will only get better.

Emerson T. Johns DuPont CII Chairman 2008

Director's Remarks

The non-residential construction industry rode the roller coaster all the way to the top in the first three quarters of 2008, but by year's end was accelerating down the backside as the world economy plunged. Against this wild backdrop, CII celebrated its 25th anniversary in Keystone, Colorado. We are thankful for and will not soon forget the Founder's Forum of Charlie Brown, DuPont; Ted Kennedy, BE&K; and Dr. Richard Tucker, UT Austin and CII's first Director; and our other outstanding keynote speakers: Jan Tuchman, David Nash, Dr. James Turner, Dr. Marianne Jennings, Professor Bernard Amadei, the winners of the ASCE Concrete Canoe Competition from the University of Nevada-Reno, and the Caterpillar Princesses from Destination ImagiNation.



The CII research teams that reported at the 25th Anniversary Conference (noted later) covered best practice, futuristic and "refresh" topics and represented the largest and most diverse slate of research completed in one year in CII history.

Record attendance was experienced at both our spring and fall Performance Improvement Workshops. CII also experienced a record level of attendance at its third annual Executive Leadership Program, conducted in partnership with the McCombs School of Business at UT Austin. And at the Virginia Tech CII Best Practices Course, an expansion through distance learning technology brought almost 100 students at six U.S. campuses together for a unique CII experience.

Accelerating our knowledge sharing activities, we initiated three new communities of practice: partnering, modularization, and the building sector. Over 120 professionals are now participating in these knowledge opportunities.

In knowledge assessment, we completed front end planning for the CII NextGen benchmarking and metrics system. When fully operational, that system will allow members to assess their capital delivery performance. Also, data collection in the Value of Best Practices study continued and is nearing completion. That study ultimately will provide a quantitative assessment of the value received from deploying best practices in capital project processes.

Two of CII's long tenured and most valued employees, Rusty Haggard and Sam Shinn, advised CII that they would retire in early 2009. Their value to every CII stakeholder and participant is immeasurable. They may retire from CII, but are and always will be a part of the CII family. Thank you for your service and good luck, Rusty and Sam.

Recent industry forecasts predict significant declines in construction spending, which will impact much of the CII membership. CII, however, will endeavor to make your participation ever more meaningful as we discover and disseminate practices that will improve efficiency in the capital delivery process.

I hope you enjoy looking back over 2008 in this 25th anniversary edition of the annual report. And thank you for a most rewarding year.

Wayne A. Crew Director

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Research

Eight research teams reported their findings this past August at the 25th Anniversary Conference in Keystone, Colorado: Front End Planning for Renovation/Revamp Projects (The University of Alabama); How to Maximize Engineering Value on Capital Projects (The University of Texas at Austin); Leveraging Technology to Improve Construction Productivity (University of Kentucky, The University of Texas at Austin, and University of Waterloo); Global Project Control and Management Systems (The University of Texas at Austin); Optimizing the Value of Construction in Front End Planning (Purdue University and Vanderbilt University); Sustainable Design and Construction (North Dakota State University); Enhancing and Expanding Innovation in the Construction Industry (University of Colorado-Boulder); and Nanotechnology and Its Impact on Construction (Georgia Tech).

Also at the conference, CII recognized Dr. Paul M. Goodrum, associate professor at the University of Kentucky, as the Outstanding Researcher for his many contributions to CII, including his research on craft training, craft productivity, and how technology and the work force have an impact on construction productivity.

CII continued research with the following active teams:

- 1. Craft Productivity Research* (The University of Texas at Austin, University of Kentucky, and University of Waterloo) **A five-year research project*
- 2. Estimating as a Competency in Capital Projects (University of Kansas and Oklahoma State University)
- 3. Quality Management Best Practice—Refresh (University of Arkansas and University of Florida)
- 4. Adaptation of Shipbuilding Production Systems to Construction (Arizona State University, San Diego State University, and University of Washington)
- 5. Project Site Leadership Role in Improving Construction Safety (University of Kentucky and Virginia Tech)
- 6. Global Procurement and Materials Management Best Practice —Refresh (The University of Texas at Austin and Baylor University)
- 7. Information Integration Work Process Changes (The University of Texas at Austin)

In addition to the active teams, CII launched eight new research teams, including:

- 1. Reimbursable Contracts (The University of Texas at Austin and The Pennsylvania State University)
- 2. Optimizing Jobsite Organization (The University of Texas at Austin)
- 3. Globalization (Columbia University and The Pennsylvania State University)
- 4. Product Integrity Concerns in Low-Cost Sourcing Countries (University of Florida and Tsinghua University (China))
- 5. Industrial Engineering/Manufacturing Techniques for Enhancing Construction Project Performance (Clemson University)
- 6. A Standardized Approach to Identify and Define Owner Value Interests and Align the E&C Response (Texas A&M University)
- 7. Project Definition Rating Index (PDRI) Tool for Infrastructure Projects (The University of Alabama)
- 8. Real-Time Proactive Work Zone Safety in Construction (University of Florida and Georgia Tech)

Implementation

During 2008, the Implementation Strategy Committee sponsored two highly successful Performance Improvement Workshops. The March workshop was held in Ft. Lauderdale, followed by the October PIW in Chicago. The combined attendance for the two popular events was 294 participants. The workshops enable CII members to hone their Best Practice implementation skills while promoting implementation of new CII products and providing networking opportunities for CII implementation support.

The committee also mentors the Implementation Champions Program and facilitates the web-based Implementation Tool Box. The Tool Box details the CII Implementation Planning, has contact information for CII staff support, and provides website links to products and conference presentations..

The committee contributed five feature articles to the monthly CII eNews. Topics included the Role of the Implementation Champion; Engineering Productivity Measurement; Lean Construction; Project Health Indicator; and Lessons Learned. Committee members also continued to assist in the validation of emerging industry practices through the Pilot Program for Early Implementation.

At the 25th Anniversary Conference in Keystone, CII presented the Implementer of the Year Award to Don G. Giles of CII member U.S. Steel. The award recognizes outstanding achievement in enhancing implementation of CII Practices within one or more CII member organizations. Giles is Regional Engineering Manager – East for U.S. Steel. He is the CII Implementation Champion (IC) for USS, a position he has held since CII began the IC program in 1998. He helped create the USS project delivery system, which includes the CII Best Practices in process flow-charts and with links directly to the system. At Giles' recommendation, USS selected the CII Project Management courses as a means for improvement. During a three-year period, all USS engineers attended CII's Course I and Course II either on campus or took the courses in-house. Giles continues to personally mentor USS engineering department employees.

The committee sponsored further research into implementation challenges and approaches. This research was completed in 2008 by Research Team 246, the Implementation Planning Model Research Team.



Professional Development

The mission of the Professional Development Committee is to enable implementation of CII research, plan future opportunities in CII education, evaluate education program trends, and develop new education vehicles. The committee enjoyed a successful year in 2008.

The committee oversees CII online education topics. Members and the general public can access the CII curriculum and benefit from fully interactive and professionally developed courses based on CII research findings. The current online curriculum consists of instruction on Partnering, Development and Alignment of Project Objectives, Constructability, Construction Safety, Planning for Startup, Pre-Project Planning, and Scope Control and Change Management. The Registered Education Provider Program, now in its third year of activity, provides members of CII and the general public with a qualified corps of instructors who are familiar with CII publications and are available to teach at CII member organizations and other venues. Participation in key CII programs and events enables one to earn credits toward achieving the coveted Project Management Institute (PMI) certification.

During 2008, the committee recognized the Smithsonian Institution and CCC Group with awards for outstanding contributions toward professional development. This was the second year for the committee to honor member organizations for their professional development work.

The committee also held a meeting with professors from the Associated Schools of Construction. Transferring CII research findings, particularly to young professors and their students in construction management, is the focus of the interchange and has resulted in several initiatives, including joint development of web seminars on topics of interest to graduate and undergraduate programs.

At the 25th Anniversary Conference in Keystone, James M. Gramling was recognized with the Outstanding Instructor Award. Gramling is the training manager for URS Corporation. He continuously updates and maintains the URS training program modules to include the latest CII research. During 2008, he updated five courses and acted as the subject matter expert in developing three additional courses. This includes classroom and online instructional formats. He has taught over 3,000 URS employees through classroom instruction and coaching.

During 2008 the committee developed and successfully presented web seminars on The Owner's Role in Construction Worker Safety and Improving Safety Performance with Upstream Indicators. More web seminars are planned for 2009. The committee also obtained recognition of CII research findings from the Project Management Institute Registered Education Program and began efforts to disseminate CII research findings through the Construction Management Association of America (CMAA).

Knowledge Management

The Knowledge Management Committee increases the ability of CII membership to leverage collective industry wisdom by facilitating access to the CII Knowledge Structure. The committee manages and maintains the structure and is responsible for approving all changes to it, including new product placement and archiving. The committee also seeks to identify Best Practices from CII research as well as from other sources.

The Knowledge Structure, accessed from the CII website, groups research products into 14 Knowledge Areas and then further subdivides them into Best Practices, other CII Practices, and Information Topics. Within each product group, the most recently published material is listed first, followed by material organized by date of publication.

In 2008, the Knowledge Management Committee expanded the CII Communities of Practice (COPs), which are groups who share a concern, a set of problems, or a passion about a topic and who deepen their understanding and knowledge of this area by interacting on an ongoing basis. In addition to the initial COPs – safety, sustainability, and globalization – the KMC launched three additional COPs: partnering, modularization, and building sector.

Other 2008 committee activities included the launch of the product life-cycle map to enhance the Knowledge Structure, conducting product reviews, and evaluating knowledge management practices of member organizations and others. The committee also recommended six new research topics and sponsored a 25th Anniversary Conference presentation in Keystone entitled, "Back to the Future: 25 Years of Sustainable Safety Improvement."

Branding Implementation

The Branding Implementation Committee, which began in 2007, developed a new corporate image for CII in the committee's second year of existence. The new logo was unveiled at the Spring Board of Advisors Meeting in Ft. Lauderdale, along with a corporate tagline (The Knowledge Leader for Project Success). The committee later used the 25th Anniversary Conference in Keystone as a launch site for more widespread use of the new logo and brand. In addition, the committee sponsored the production of the highly acclaimed 25th anniversary publication, "CII: Building on 25 Years," which was distributed to members at the Keystone conference. The committee's other key work for the year was evident in December 2008 with the transition to a new look for the CII website.



Benchmarking & Metrics

The Benchmarking & Metrics Program added 91 new projects to the database, bringing the total to 1,738 projects and a total installed cost of approximately \$78 billion. Also in 2008, the Safety Report was completed.

In an effort to expand the benchmarking work into new areas for CII, two meetings with leading healthcare organizations were held during 2008, one in Austin and the other in Nashville, Tennessee. The purpose of the meetings was to assess the healthcare industry's interest in benchmarking. In a related effort, CII made a presentation on benchmarking at the Healthcare Facilities Symposium in Chicago.

Other presentations by benchmarking were made at the American Association of Cost Engineers International (AACE) Board meeting in Austin and at the Airports Council International – North America (ACI-NA) Airport Conference in San Diego, California. Similar to its efforts in the healthcare field, CII benchmarking is also assessing the aviation industry's knowledge and interest in benchmarking and metrics.

The pharmaceutical metrics team completed its fourth round of data collection. As a result, the pharmaceutical and biotechnology database now contains 167 projects, up by almost 33 percent from the previous year. Benchmarking is now finishing the report on the Construction Owners Association of Alberta (COAA) oil sands project. Forty-one projects make up the database for this study, which may continue beyond 2008.

The Upstream Oil & Gas research project by CII Benchmarking was launched during 2008 and represents a total value of \$598,619. The project began in October and is scheduled to run through June 2010. Principal investigators on this research include Dr. Stephen Mulva, CII Associate Director – Benchmarking & Metrics, Dr. Carlos Caldas and Dr. Christopher Jablonowski, both from UT Austin. Caldas teaches civil, architectural, and environmental engineering, while Jablonowski teaches petroleum engineering.

Three training sessions for Benchmarking Associates were made during the year. Host cities included Austin, Houston, and Cleveland, Ohio.

Benchmarking Awards

At the 25th Anniversary Conference, the Benchmarking User Awards for 2008 were presented to Merck in the owner category and to Jacobs in the contractor category. Merck has been active in the CII pharma study group since its inception. By virtue of its previous selection to receive this award in both 2000 and 2006, Jacobs became the first CII member organization to be the recipient of the Benchmarking User Award in three different years, a remarkable achievement.

Breakthrough Strategy

In 2008, the Breakthrough Strategy Committee saw its two recommendations for CII research projects, sustainability and nanotechnology, completed and then reported on at the 25th Anniversary Conference. The projects are unique in that both were completed in one year as opposed to the traditional two-year timeframe for most CII research efforts.

In sustainability, the primary purpose of the research was to produce a primer that is applicable to the planning, design, and construction of capital investment projects in the industrial sector. The primer provides knowledge on sustainable practices currently being used and the reasons these practices are being implemented. It also provides information that assists in making decisions on whether to implement sustainable practices.

Nanotechnology is still in its infancy and the enormous technical contribution of the roughly \$1.1 billion in R&D carried out annually limited this research to a few specific applications in the construction domain. The CII research reviewed the existing knowledge and understanding of nanotechnology, explored ideas, needs, and products in various industry fields, and quantified their potential value for construction. This research will now help in determining a strategy of how CII can carry the idea forward, whether in R&D or product development.

CII Executive Leadership Course

The Executive Leadership Program was conducted for the third time in 2008. This course is a collaborative effort between CII and The McCombs School of Business at The University of Texas at Austin. It is conducted over a three-week period in January and presented to Fortune 500 and ENR 400 executive candidates. The program is intended to enhance the executive leadership capabilities and strategic business skills of those who have high potential for being future leaders in the industry. Through a series of lectures from both industry leaders and renowned professors from the UT Austin McCombs School of Business, students gain business, management, and financial insights into the capital asset business and build collaborative relationships with peers across the industry. Twelve distinguished professors from the McCombs School and 19 prominent executives from the engineering and construction industry provided more than 130 hours of classroom instruction.

Annual Conference

The 25th Anniversary Conference theme, Shaping the Future: Leveraging 25 Years of Industry Leadership, set the stage in Keystone, Colorado, as CII celebrated its silver anniversary. The conference was divided into four distinct sessions: A Look Back, The Current State, Emerging Trends, and The Future. During these sessions, the speakers included Dr. Richard Tucker, CII's first Director; Charlie Brown, Vice President, DuPont (retired); Ted C. Kennedy, co-founder of BE&K; Jan Tuchman, Editor-In-Chief of ENR; David Nash, the 2007 Carroll H. Dunn Award of Excellence recipient; ethics researcher Dr. Marianne Jennings; Billy Harper, CEO of Harper Industries; James Canton of the Institute for Global Futures; and Dr. Jim Turner of the National Institute of Standards and Technology.

At the Annual Conference, CII recognized Jimmy Slaughter as the fifth recipient of the Richard L. Tucker Leadership and Service Award. Slaughter is President of S&B Engineers and Constructors, Ltd. At CII, he is a past member of the Executive Committee, chaired the Strategic Planning Committee twice, and was chairman of the research teams that developed the CII Project Definition Rating Index and alignment tools. He also served on the Benchmarking Productivity Measurements team and on the CII Board of Advisors. He was a key member of the Executive Committee during the establishment of the FIATECH consortium. In benchmarking, he was the driving force behind that group's work on productivity measurements.

CII Best Practices Course

For the second year in a row, CII in partnership with Virginia Tech conducted a fall seminar course for graduate students in civil engineering and construction management on CII Best Practices. In a new and innovative approach, the 2008 program had four other universities and one satellite location participating via distant learning medium. The distant learning sites were at Virginia Tech's Northern Virginia Center (Falls Church), Georgia Tech (Atlanta), the University of North Carolina-Charlotte, North Carolina A&T State University (Greensboro), and The University of Texas at Austin. Ninety-five students participated.

For the 2008 version, the course contained six modules and covered safety, constructability, materials management and strategic sourcing, scope control and change management, PDRI (Project Definition Rating Index) and PHI (Project Health Indicator), and the CII Benchmarking & Metrics Program.

Process Industry Practices

Process Industry Practices (PIP) is a separately funded initiative that has been operating and growing under the CII umbrella for 16 years. PIP has achieved its original mission and vision as a recognized industry consortium by developing and maintaining harmonized Member Company internal standards. These "Practices" are readily available and used to meet the needs of numerous process and related industry companies around the world. PIP Practices cover eight engineering disciplines and are used for engineering, procurement, construction, and maintenance of process facilities on a global basis. PIP has now published over 455 Practices, representing over 92 percent of the total identified for publication.

With sustained total numbers of members, subscribers, and licensees, 97 companies regularly access the harmonized Practices. In 2008, four Members were added. The agribusiness/food industry also is now represented in PIP. Many others obtain PIP Practices through distribution licenses with IHS and Thomson Reuters/Techstreet. Related industries also are discovering the applicability of PIP Practices.

The participation by numerous Member Company volunteers is the key to increasing awareness, acceptance, and use of PIP Practices. Significant progress continues in updating and revising Practices, including important electronic entry data sheets. Recent initiatives to enhance the electronic delivery of important Piping Material and Valve specifications are expected to be implemented in 2009.

Members continue to report considerable savings in development and maintenance of internal standards and in the application of new initiatives related to the use of Practices. The result is less redesign and rework and more efficient interfacing between industry participants. Adoption and implementation metrics for Member Companies continue to show increased utilization.



PIP

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Texas A&M-Corpus Christi University of South Dakota

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Resources

Sources and Uses of CII Resources (\$000)

Sources		Net
BEGINNING BALANCE: Carried Forward from 2005 Reserve	2061 750	2811
Membership Dues Product Sales: Revenue	188	4,086
Production & Sales Other Sources (PSP, etc.)	(112)	<u>76</u> 182
Total Sources		4,344
USES		
Programs: Research Implementation Education	1,776 275 176	
Knowledge Benchmarking & Metrics Alliances	71 725 42	
Executive Leadership Program Breakthrough	42 401 18 3,484	
Benchmarking & Metrics Revenue Other Program Revenue	(237) (765)	2,482
Conferences Annual Conference	<u>935</u> 935	
Attendance Fees	(616)	319
Supporting Activities Support of Members & Director's Groups Academic Committee Other Activities	794 11 63	
Supp. Activity Revenue	<u> </u>	768
Information Systems	193	193
General Expenses Administration Other Activities	400 621	621
Total Uses		4,383
Net		(39)
ENDING BALANCE		2,772

Dunn Award

The Carroll H. Dunn Award of Excellence

The Carroll H. Dunn Award of Excellence is the highest recognition bestowed by the Construction Industry Institute. The award, established in 1985, bears the name of the original recipient, the late Lt. Gen. Carroll H. Dunn, U.S. Army. The purpose of the award is to recognize an individual who has had singular and notable responsibility for significant advancements in improving the construction industry.



Ralph R. Peterson

CII selected Ralph R. Peterson as the twenty-second recipient of the Carroll H. Dunn Award of Excellence. Peterson is the CEO of CH2M HILL.

Born in Hayti, Missouri, on October 12, 1944, Peterson holds a civil engineering degree from Oregon State University and a master's in environmental engineering from Stanford University. In 1965, he joined CH2M HILL. Early on, he worked directly for the company's founders: Holly Cornell, Burke Hayes, Jim Howland, and Fred Merryfield.

By the late 1970s, he led the firm's entry into hazardous waste management and remediation. Later, he managed the Industrial Processes Division. As Technology Director from 1988-1990, Peterson gained the broad experience he would need when he became CEO in 1991.

Peterson has served in a variety of engineering, construction, and management roles during his career, including the development and application of environmental, water, and industrial process technologies. He continues to be involved in the company's project delivery activities and serves on the boards of several joint venture companies.

Peterson is well known in the sustainable development field. He was a delegate at the World Water Forum, China's National Sustainable Development Conference, and the Rio + 5 Summit. Peterson is past co-chair of the National Congress for the Advancement of Minorities in the Environmental Professions. In 1994-95 he served as industry co-chair for the White House initiative, Technology for a Sustainable Future. From 1996-2004 he worked as chair of the CEO Coalition to Advance Sustainable Technology. Currently he is a member of the World Business Council for Sustainable Development and the Business Environment Leadership Council of the Pew Center for Global Climate Change.

Peterson has been honored with numerous awards for his contributions. Among these are the American Society of Civil Engineers President's Medal and the John I. Parcel-Leif J. Sverdrup Civil Engineering Management Award. He also is a member of the National Academy of Construction. Besides his bachelor's and master's degrees, he has honorary doctorates in engineering from the Colorado School of Mines and from Boise State University.

CII takes great pride in honoring Ralph Peterson with the Carroll H. Dunn Award of Excellence. His devotion and his contributions to the industry and his influence on engineers around the world symbolize the quality and the spirit of CII's highest honor.

2008 CII Staff

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Kim Allen, Knowledge Management, Membership, Branding Implementation Committees Manuel Garcia, Implementation, Professional Development Committees Dr. Stephen Mulva, Benchmarking & Metrics Committee Dr. Steve Thomas, Research, Breakthrough Strategy, Academic Committees

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Construction Industry Institute

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