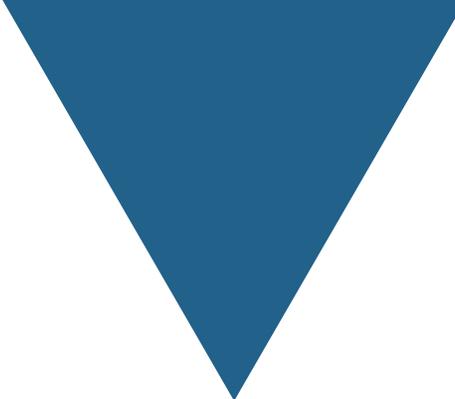




2018 CURT Owner Study:
**DOES THE CONSTRUCTION
INDUSTRY NEED A
MANIFESTO FOR CHANGE?**

CONTINUUM 
Advisory Group





The 2017 CURT Owner Trends study revealed a shocking statistic: **less than one in ten owners (9% to be exact) believe they are achieving a high level of excellence in total project performance.** This study result reinforces similar research by the Construction Industry Institute (CII) that suggests a large percentage of our construction projects go over budget and schedule.

Would you be lining up for a heart transplant if you knew only one in ten heart transplant teams were achieving a high level of excellence?

The time to change is now.



We are now in a world where the risk of trying something new is actually much lower than the cost of sticking to what has worked in the past.



– *Bill Taylor, Fast Company*

Each year, Continuum Advisory Group partners with Construction Users Roundtable (CURT) to conduct an owner trends study, with the intent of probing key issues in our industry and exploring break-through solutions. The 2018 Owner Trends Study piggy-backed onto the CURT National Conference theme of **Leading Strategies to Optimize Project Outcomes** and highlights groundbreaking success stories of bold and innovative strategies to overcome challenges, to optimize project outcomes, and ultimately to define the business case for construction.

This report includes data from the 2018 CURT Owner Trends Study, stories of innovative strategies to improve project performance, and barriers to change and innovation from both owners and contractors. Also included are the results of an interactive discussion at the 2018 CURT National Conference on the transformation needed within our industry in order to establish the business case for construction.

A MANIFESTO FOR CHANGE

CURT has partnered with CII to support the development of a Manifesto for change in the construction industry. The outcome of a series of workshops with construction industry executives throughout the US, the Manifesto is intended to make a bold statement about the need for change, the need for our industry to move beyond a “plan

the work, work the plan” operating system to a new operating system that can achieve double-digit reductions in program cost and schedule performance. **The “OS2.0 Manifesto” provides intriguing context for our discussion on innovation in this year’s study.**

THE OS2.0 MANIFESTO

The leaders of the built environment recognize a need to revolutionize the way our industry delivers capital projects and programs to support financial and societal benefits. As the custodians of the infrastructure of modern society, we have a responsibility to achieve almost unimaginable improvements in cost, schedule, quality, and safety performance results to support the needs of our citizens. This can be done in a way that is value creating as opposed to value subtracting.

The choice is ours – to achieve these results in a way that creates value, or face value migration from external forces. To thrive in a dynamic and changing world, our industry must be adaptable, agile, and more responsive to the complex realities we face.

We believe in the following declaration of beliefs and intentions:

- 1.** We will reduce the organizational layers and information gaps between the end user and those delivering the asset.
- 2.** We will deploy new financial vehicles to maximize financial and societal benefit.
- 3.** We will focus on the total cost of facility ownership.
- 4.** We will embrace true collaboration with better risk management that builds trust.
- 5.** We will value innovation, creativity, and inventiveness of people in order to meet the challenges in our built environment.

We, the undersigned, firmly stand by this declaration of beliefs and intentions, and are committed to lead and bring about this change in our industry.

We began the study by asking survey participants, does the construction industry need a Manifesto to drive change? The answers are not surprising, with three-quarters or more of both owner and contractor respondents in favor of the OS2.0 Manifesto.

DO YOU THINK OUR INDUSTRY NEEDS A MANIFESTO LIKE THIS?

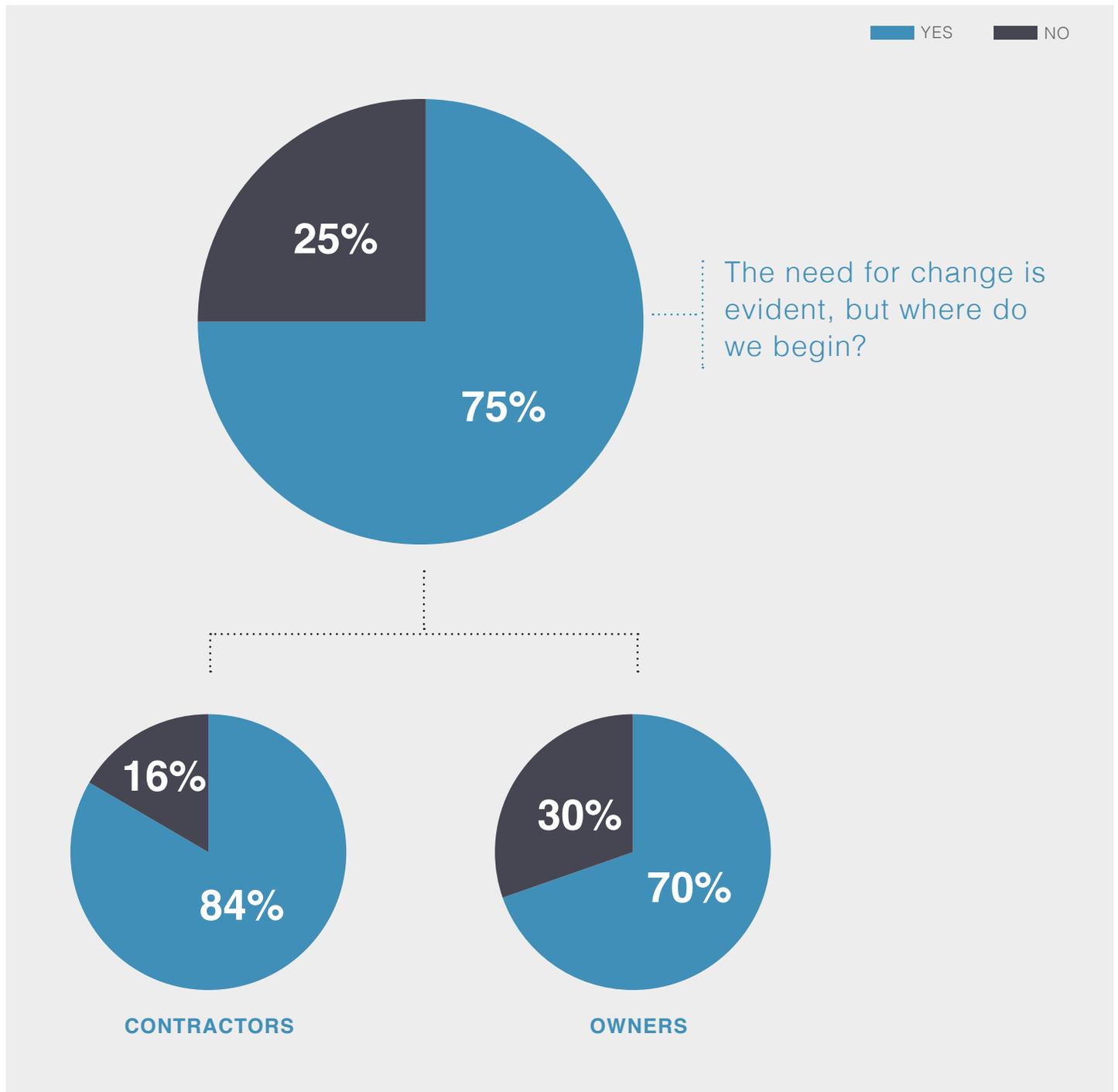


FIGURE 1: 2018 CURT OWNER TREND STUDY RESPONSE RATE

THEMATIC AREAS OF FOCUS FOR CHANGE

The workshops that led to the development of the OS2.0 Manifesto provided a thematic framework of the challenges of our industry, including transparency, trust, under-funding of R&D, and fragmentation. The sixteen themes that emerged from the discussion are

depicted in Figure 2 below. Each of these themes are in some way interconnected and overlapping, forming a veritable mosaic of dimensions that operate on a one-on-one basis, in clusters, and as a whole.

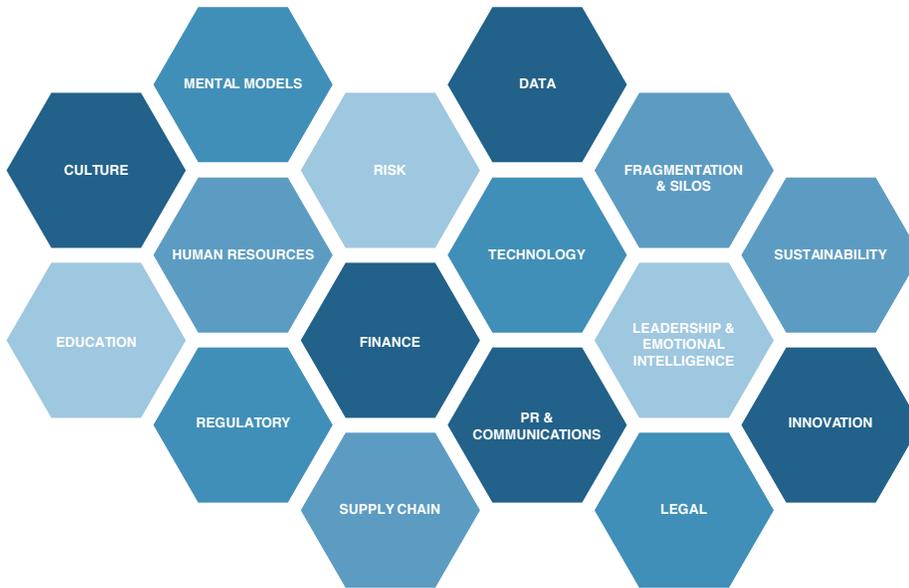


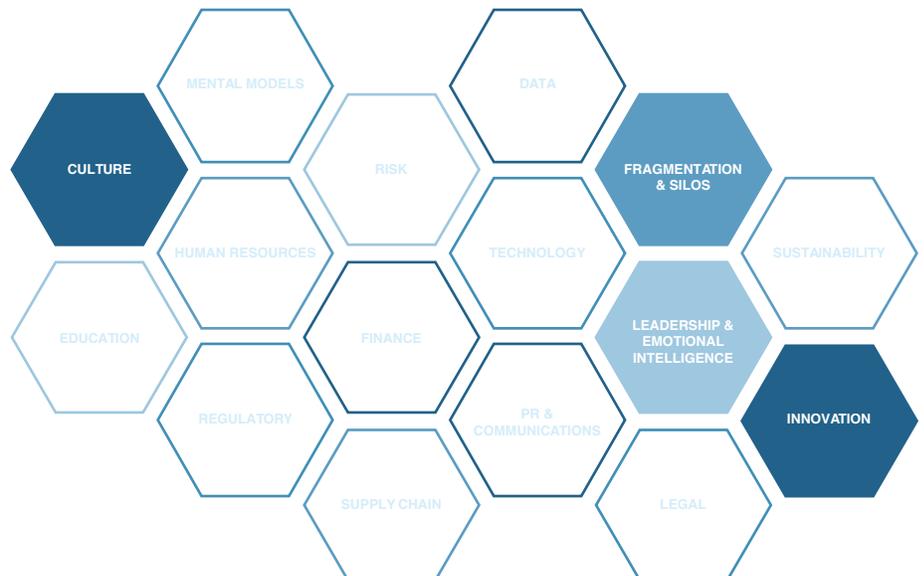
FIGURE 2:

OS 2.0 MANIFESTO - THEMATIC AREAS OF FOCUS FOR CHANGE

We asked this year’s survey respondents to identify which of these thematic areas of change were most in need of improvement in our industry.

FIGURE 3:

THEMES FOR IMPROVEMENT IDENTIFIED BY THE 2018 CURT OWNER TRENDS SURVEY RESPONDENTS



During the roundtable discussions at the CURT National Conference, we asked attendees to elaborate on the need for change in these four areas: Culture, Fragmentation and Silos, Leadership and Emotional Intelligence, and Innovation. Their responses highlighted the need to balance the “hardware” – technology adoption, modularization, etc., with the “software,” the people skills, emotional intelligence and leadership necessary to drive innovation and project performance.

HOW ONE INDUSTRY EXECUTIVE DECIDED TO LEAD CHANGE

An executive with a large manufacturing organization was tasked with “updating” the organization’s EPCM strategy. The company was using EPCM on every project over a certain cost threshold. He could have studied the standard company process, made a few recommendations for improvement and updates, and ridden out the later years of his career... but there was one problem: he truly didn’t believe EPCM was the right strategy for the organization; **he refused to incrementally improve what he saw as a fundamentally flawed strategy and instead elected to take a risk and try something dramatically different.** Our executive stuck his neck out and piloted Lean IPD. He’s since gotten company-wide support for this initiative, instituted a systematic process for implementation and measurement, and has documented remarkable results. Ultimately, it was a career-making effort and a game-changer for the industry.

RELATIONSHIPS AS AN AVENUE TO CHANGE

Beyond the themes identified in the OS2.0 Manifesto, we asked the study participants to identify the one change they felt could have the greatest impact on our industry. Twenty-two percent of the owner responses included Lean IPD, with another 39% referencing the

establishment of strong relationships. This reveals that approximately two-thirds of both the owners and contractors feel relationships and integration are essential to project performance.

WHAT ONE CHANGE IN OUR INDUSTRY WOULD BE THE MOST IMPACTFUL IN ACHIEVING PROJECT SUCCESS?

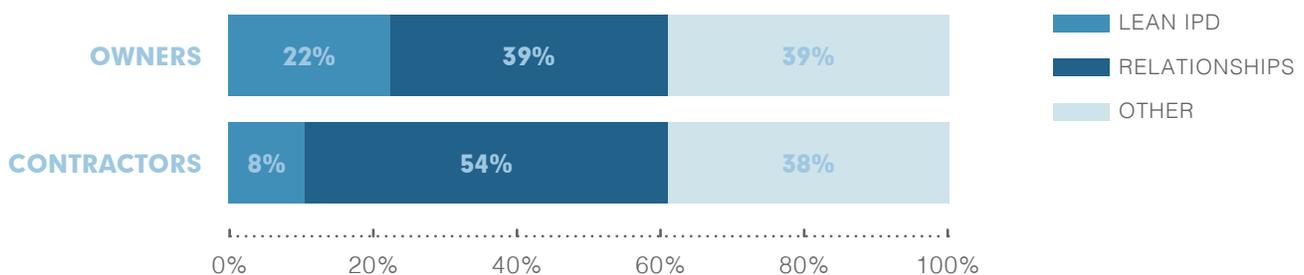


FIGURE 4: 2018 CURT OWNER STUDY RESPONSES

We felt this focus upon relationships, collaboration, and integration warranted revisiting one of the discussions from last year's CURT Owner Trends Study. During last year's CURT National Conference we moderated two roundtables, one for owners and one for A/E/C partners. We asked a series of questions to each group about their challenges in achieving excellence with regards to project outcomes, and about their relationships with each other.

Both owners and contractors had strikingly similar responses regarding what differentiates high excellence from low excellence projects. There was clear agreement that early engagement and the opportunity to build a collaborative team versus an adversarial owner-supplier relationship was the highest indicator of project success in the minds of both the owners and their A/E/C partners.

EXCELLENCE IN TOTAL PROJECT PERFORMANCE ROUNDTABLE DISCUSSIONS



WHAT SETS HIGH EXCELLENCE PROJECTS APART?

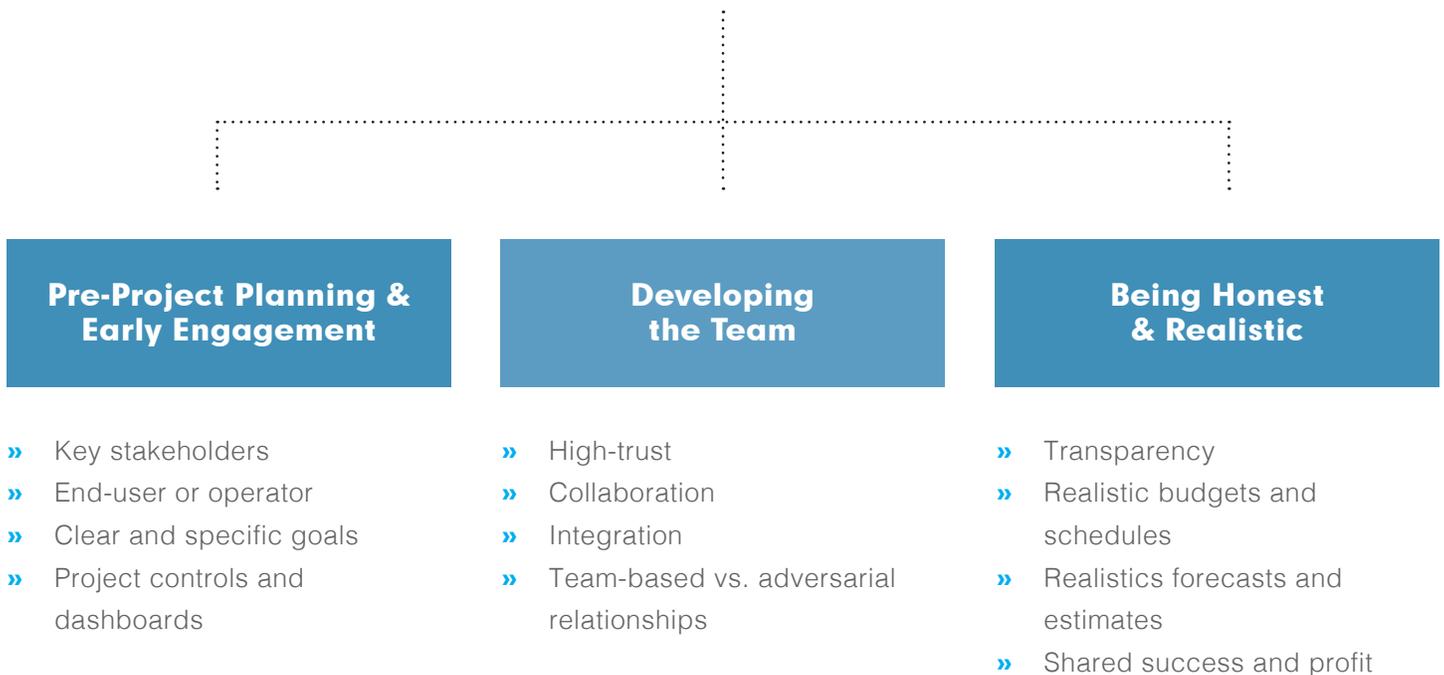


FIGURE 5: 2017 CURT OWNER TRENDS STUDY ROUNDTABLE DISCUSSION ON PROJECT EXCELLENCE

Both the discussions of 2017 and the results of this year's study indicate a need for our industry to focus change efforts on the development of trusting, collaborative relationships. Since the advent of "project partnering" in the late '80's our industry has been searching for strategies to build these integrated relationships, and the recent

excitement around Integrated Project Delivery (IPD) may signal a readiness for our industry to take stronger measures to advance in this area. This was reinforced in the responses to an additional question asked this year: If you could change one thing about your project partners, what would it be?

IF YOU COULD CHANGE ONE THING ABOUT YOUR PROJECT PARTNERS, WHAT WOULD IT BE?

WHAT OWNERS WISH TO CHANGE ABOUT THEIR CONTRACTORS			WHAT CONTRACTORS WISH TO CHANGE ABOUT THEIR OWNERS		
1.	Trust and Transparency	22%	1.	Contracting Approach	46%
2.	Alignment	17%	2.	Collaboration	38%
3.	Innovation	17%	3.	Other	16%
4.	Contracting Approach	17%			
5.	Relationships	17%			
6.	Other	10%			

FIGURE 6: 2017 CURT OWNER STUDY RESPONSES

What's striking here is the common thread: the top responses all relate back to the relationship between the owner and the contractor. From so many of the stories and strategies shared during this study, we know that the relationship can either enable or hinder bold innovation.

From so many of the stories and strategies shared during this study, we know that the relationship can either enable or hinder bold innovation. In our experience, these relationships are built by:

- » Owners creating contracting strategies that facilitate the development of trusting long-term supplier relationships that support continuous improvement efforts and bold innovation.
- » A/E/C providers effectively and proactively documenting the value created by these relationships to support the business case for extended supplier relationships.

A STORY OF RELATIONSHIPS DRIVING INNOVATIVE CHANGE

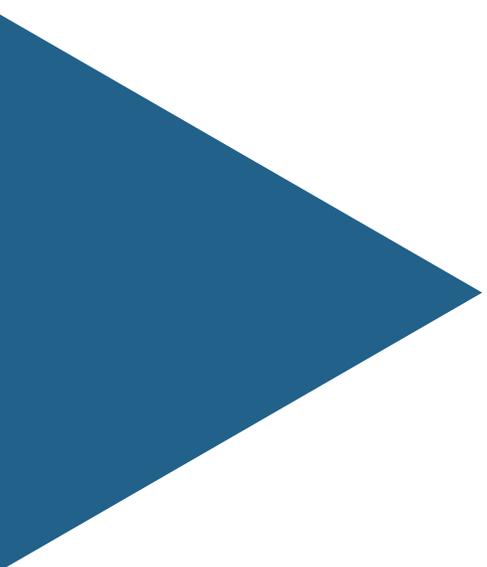
BMWC Constructors was challenged with building a new dust collector system for a generating station while the station was still online. To make this more complicated, everything had to be erected on the roof of a unit that was around 200 feet in the air. We spoke with Kristyn Loudermilk from BMWC who shared the story with us.

“The most critical factor for this team was safety, and they determined that the safest way to execute this project was helicopter lift.” Kristyn told us that a team of ironworkers, boilermakers, and pipefitters spent six months planning this project collaboratively with the owner to ensure a safe, efficient execution. Ultimately, this method ended up being both faster and cheaper than other alternatives and they completed the project with zero recordable injuries.

Overall, a really cool solution to a complex problem... but just before sharing the story, Kristyn was expressing frustration over the current bidding process in our industry. She said that as a contractor, they have no real opportunity to demonstrate value or provide innovative solutions. Instead, they’re filling out a form on the opposite side of a screen and hoping their resume might support the fact that they probably aren’t the lowest bidder. Then they walk in when it’s too late to really look at innovative solutions, plus they don’t have the budget to consider many alternatives. Prompting the question... “what was different on this project? How did you get six months up front to plan out this solution?” Her answer... “Oh, we’ve had a twenty-year alliance with this owner. That’s enabled a great relationship. They trust our capabilities and they came to us with a problem, not a digital RFP.”

Once again, the relationship was the key to innovation.





CONCLUSION

The OS2.0 Manifesto was identified in this study as a necessary step in driving leap-frog change in our industry, with a focus on culture, fragmentation and silos, leadership and emotional intelligence, and innovation in our industry. Holding up examples of how leadership can influence our industry, and how strong relationships can drive innovation, is important as we seek to understand how each of us as individuals, and as leaders in our organizations, can support the Manifesto.

We would challenge each of you think about how we can make leap-frog improvements by changing the way we work together as an industry, rather than against each other.

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