

Construction Industry Institute Innovative Contractor Compensation

Weyerhaeuser Incentive Experience

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Mr. Harrington's presentation consisted of a PowerPoint presentation, shown in outline form below, along with two handouts available in [Adobe Acrobat](#) format.

Handouts:

Click [here](#) for excerpts from "Innovative Strategies for Contractor Compensation" by William E. Howard and Lansford C. Bell, a report to the Construction Industry Institute, January 1998. Size: 231 kb.

Click [here](#) for excerpts from a Weyerhaeuser construction contract that features an incentive fee system. Size: 415 kb.

Mr. Harrington's presentation:

- Performance Measures
 - Performance Benchmarking
 - Joint Performance
 - Fee to Owner Discretion
 - Plant Performance
 - Traditional Areas:
 - Safety
 - Cost
 - Schedule
 - Quality
 - Productivity
- Incentive Calculation
 - Incentive Element Weightings
 - Contractual Formulas
 - Subjective Ratings
 - Periodic Assessments
 - Threshold Ratings
 - Interim Incentives
 - Retroactive Assessments
- Incentive Recipients
 - Contractor
 - Corporate
 - Management

- Labor
 - Owner
 - Project Team
 - Operations/Maintenance
 - Subcontractors
 - Suppliers
- Problem Areas
 - Conflict Between Owner and Contractor Objectives is Natural
 - Translation of Business Objectives to Project Goals
 - Extra Effort to Monitor Performance
 - Credible Targets
 - Factors Beyond Control
 - Incentives Involve Risk
- Incentive Plan Factors
 - Increased Contractor Control
 - Scope Definition
 - Long-Term Relationships
 - Focus on Owner Objectives
 - Alliance Competition
 - Right to Bid
 - Cash Flow Enhancements
 - Equity Positions
 - Simplified Compensation
- Results
 - Safety Improvements
 - Cost Underruns
 - Early Completion
 - Reduced Craft Hours
 - Focus on Objectives
 - Improved Communications
- Implementation
 - Trust and Communication
 - When to Develop Plan
 - Willingness to Try Something New
 - Joint Development
 - Mix Subjective and Objective Incentive Criteria
 - Pay to Those Responsible
 - Periodic Reviews
- Case Studies
 - Contractor Overhead and Profit at Risk, Petrochemical Project
 - Incentive Matrix, Environmental Compliance Project
 - Two-Tiered Incentive Contract, Electric Utility Maintenance Contract
 - Corporate and Team Performance Incentives, Multistory Research Facility
 - Shared Underrun Bonus Based on Performance, Corporate Headquarters Project
 - Pay for Performance to Enhance Project Teamwork, Textile Facility

- Detailed Report Card for Fee, Mining Facility
- Owner Subjective Performance Appraisals, Synthetic Textile Fiber Facility
- Experiences with Incentive Contracts, Process/Chemical Owner
- Contractor and Craft Productivity Incentives, Hydrotreater Facility
- Experience with Nontraditional Compensation Methods, Construction Contractor
- View of Innovative Contracts, Engineering/Construction Contractor
- Incentives for Field Supervision, Hotel/Casino Project
- Incentives Based on World-Class Performance Criteria, Polyester Facility