

Gustavo A. Hermida - President, CIC Construction Group, Puerto Rico



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Gustavo A. Hermida is the president of CIC Construction Group, one of the Puerto Rico's largest general contractors. Being involved in nearly all larger construction projects in the pharmaceutical, biotechnology and medical device industry, Hermida highlights the importance of business continuity plans and the company's expansion to the US mainland and into other industry segments.

While the industry saw a massive boom in the between the 1980s and the early 2000s, the expiry of law 936 and consolidation had a massive impact on the sector. How has the industry evolved since then?

Not only the landscape in Puerto Rico is changing, but consolidation in the industry happens all over the world. Today, Puerto Rico remains an important hub in the pharmaceutical industry, with most of the largest companies still manufacturing on the island. Obviously, the recent trends have created challenges for construction companies, service providers and suppliers, as there has been a loss of volume. When we saw the changes that came with the expiry of law 936, we decided to remain active in the pharmaceutical sector, but also look into other sectors that allow growth. Our

company was founded in 1983 as Caribbean Industrial Construction Company, Inc providing general construction services to the pharmaceutical industry, but we later decided to change the name to CIC Construction Group, to ensure that we are not only seen as pharma construction company. Today, CIC is one of the largest and most respected general contractors on the island, providing construction services to remarkable clients in many sectors and industries, such as industrial, hospitality, commercial, residential and institutional projects.

We have met you last time in 2015, so can you update our international readers on CIC, giving an overview of the operations and the footprint?

CIC has been growing rapidly over the last years in terms of revenue, from close to USD 70 Million in 2015 to USD 170 Million in 2018. We are still very active in the pharmaceutical, biotechnology and medical device industry, where we were involved in building the largest projects in the industrial sector; for example, we recently inaugurated a new 330,000 square feet manufacturing campus for Sartorius in Yauco, PR, dedicated to the production of membrane filters and fluid handling devices for the biopharmaceutical and food industry. Nevertheless, we have faced a lot of challenges due to the consolidation in the industry. Hence, we have also diversified our portfolio into areas such as hospitality, commercial and housing, which allowed us to compensate these effects and even helped us to grow. Our mission of exceeding client expectations combined with our best resource, our people, has been instrumental in achieving this growth, as it gave us the good reputation and the name we have today, being the first address when it comes to construction on the island. Currently, we offer preconstruction services, general construction, self-perform trade work in civil, structural and architectural, design build and consulting services to meet client's construction needs on every front.

Business continuity plans play a crucial role for companies in Puerto Rico. What has been your approach here at CIC Construction?

The strength of Hurricane Maria took everyone on the island by surprise. Nevertheless, during the years we developed detailed business continuity plans for our company, which allow us to oversee our client needs during the case of emergency. Our team acted immediately after Maria, but because we lost all communication on the island, it was very difficult to get in touch with our customers. In fact, I was in Germany at the time, some clients contacted me directly to receive

news. We had put in place measures of emergency communication between projects and office, so I was briefed by my team in Puerto Rico twice a day and was then able to pass on this information to our clients and partners in the mainland. We were able to respond in the most efficient way to company requirements and needs in this state of emergency. As an example, we drove immediately to Amgen's global flagship facility in Juncos, which was affected. Nevertheless, our emergency plans allowed us to provide them all the construction services required for the facility to continue its production. While we were prepared, we have improved our redundancies in power generation, IT, renewable energy among others so we are well equipped for upcoming storms. For instance, we have amended our communications system, now working with satellite telephones in cases of emergencies and also upgraded the construction of our headquarters. The improvements made for our own business continuity plans will help us to continue to provide the services our clients require, even after any type of natural disasters. We have also developed and signed agreements of "Business Continuity Plans" with some of our clients, so we are able to collaborate and provide continuity to their operations immediately after any type of emergency

Today we see many new companies coming to Puerto Rico, which are looking to either remodel existing plants or build new facilities. Does this change anything in your business approach?

For CIC, it does not change too much as we are a service provider that adapts to the need and requirements of our clients, rather than having a standard offer. We are ready to take on projects of any kind and size and it does not matter if it's remodeling or building a new plant. Our company is structured in the way to provide the exact service our clients requires. This is a changing world, so we need to be ready to adapt our portfolio to keep up with these changes.

You been involved in projects such as Lilly's largest insulin-producing plant worldwide in Carolina and the Amgen Juncos plant, which produces 80% of the company's products. What has been the secret of success in building the reputation that you have today?

The quality of our service and commitment of our people are the main differentiation factor. By building these facilities for the world's leading pharma companies and exceeding their

expectations, we established a reputation, based on our quality, performance and safety. The first step is to ensure that our employees are aligned with the vision of CIC, so they can provide the best quality and excellent performance. All our people are proud to be part of this company. The pride combined with the high degree of professionalism, ethics and commitment, make each employee the best ambassadors of our company. We provide a lot of training to new employees, but we also have a very high retention rate to keep expertise within our company. The average time of our employees staying with CIC is 17 years, which is a lot higher than the industry average. Despite employing more than 850 people, we are still a family company, and everybody in CIC knows me and my office door is always open. Our employees are well-paid and well-trained and work in a safe environment. Safety is crucial aspect in our industry, and we have received multiple awards both from companies and industry associations for many years, for example the Zero Accidents award from Amgen or an award for safety from the Puerto Rico Manufacturers Association.

You also have two offices on the mainland US, in Florida and North Carolina. What role does the US mainland play in your future strategy?

We have expanded our operations to the mainland, where we have a subsidiary in Raleigh, North Carolina since 2017 and this year we also opened an office in Orlando, Florida. Some of our clients from Puerto Rico have also affiliates in North Carolina, so they encouraged us to also establish operations there, to provide the same services as here on the island. We are growing step by step, and as companies know us from Puerto Rico, we have received great interest from previous and new clients. As an example, we are currently involved in building a new plant for Novo Nordisk in Clayton and also working with Merck for their plant in Durham. Overall, we are very focused on the pharmaceutical industry there. In Orlando, the situation is different, as there are not as many pharmaceutical companies, so we are more concentrated on commercial projects. We chose Orlando, as it is a fast-growing city with a lot of need for construction companies.

What are your expectations for CIC for the next five years, when we come back for our next report?

I want us to expand our footprint in the US mainland, not only in North Carolina and Florida, but also other states on the South East coast, all the way up to Georgia. In 2024, we will hopefully be

operating in four to five states, additionally to our operations here in Puerto Rico, which are looking to sustain and grow.

You have recently been awarded the Premio Alejandro S. Herrero, the most prestigious award in the construction industry in Puerto Rico. What is one of the achievements in your years with CIC you are proudest of?

I am proud of what we have established as a whole and also the social impact we have made. 850 families of employees depend on this company and we are able to provide them with a great employment opportunity, while also building the most important projects for the economy of our island.

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