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# ***Globalization of the Engineering and Construction Industry***

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Session 10:

Establishing a Foreign Office

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# AEC MANAGERS

- Undertakers
- Caretakers
- Risk Takers

WHICH WILL YOU BE?

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# Terminology

- Work balancing for multi-disciplinary offices
- Inter- or intra-company billing
- Percentage completion and/or estimates to complete

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# Is the

# International Market for you?

- If you are not comfortable with design/build...
- If you are not prepared to accept a higher degree of uncertainty...
- If you are uncomfortable with fewer guidelines and more difficult project definition...

**DON'T GO!!!**

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Please excuse my being  
repetitive...

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# Does the Target Market have:

- A tradition of employing expatriate architects, engineers, consultants or contractors?
- Economic and governmental stability?
- Effective legal/contract/tax systems?
- A need for the skills you offer – do you bring any comparative advantage to the market?
- Attractive sponsors, interested current client and/or sources of financing?
- Support services from your own government agencies?

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# Knowing the Target Market

- Look at the country reports
- Review bilateral and multilateral websites and reports
- Review technical reports on similar projects
- Know the countries' procurement process
- Review copies of contract documents, Terms of Reference, and successful proposals

# Operating in the Country

- If possible, commit a senior officer of your company.
- Structure an agreement with your host country partner, if you have one, early in your relationship.
- Secure local legal/accounting professional advice on local, formal and equally important “ad hoc” corporate, contract and tax issues.
- Learn about the culture, business practices, competitors and procurement process.
- Do not confuse a project office with a permanent office.

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# The Decision Framework should include:

- Size of the market.
- Range of services in demand.
- Technical and quality concerns – are the likely assignments too demanding technically to undertake solely with local staff?
- Is your current local partner is an appropriate long-term partner?
- How to protect your name.
- Can you legally, professionally and financially monitor and control the work done locally?
- Where can the work be done most profitably in the short-term? The long-term?

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# Opening a Foreign Office

- Understand your entry and exit options
- Define the initial marketing plans
- Determine costs, budget and timing
- If possible, assess the likely impact of establishing an office on the market and the company's anticipated market share
- Forecast profits and losses for three to five years
- Prepare plans for expansion or, if need be, exit

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# Initial Entry Strategy

- Winning a project
- “Ad Hoc” marketing arrangements
- Permanent joint venture
- Opening an office in advance of winning a project, etc.

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Will the office focus on program management, planning or design, and if design, will the office provide full or specialized services including:

- Architectural
- Structural
- Mechanical or electrical, or
- Rely on subcontractors

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# If construction, will it be a...

- Construction management office?
- A general contractor?
- EPC?
- Rely on a network of subcontractors or provide its own field staff, etc.?
- How will you balance and transfer work?
- Will you also be an investor?

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# For the Selected Strategy:

- Skill levels required
- Division of responsibilities (local/foreign partners, staff, etc.)
- Supervisory needs
- Describe proposed arrangements – will it include selling shares locally?
- Need for expatriate staff and inter- or intra-company billing procedures
- Quality control procedures
- Staff training