The Impact of Globalization on the Built Environment

Session 11: Global Planning and Project Delivery
Terminology

- Commissioning
- Ramp-ups
- Cash Cows
- Work balancing
- Inter- or intra-company billing
- Percentage completion and/or estimates to complete
Alternate Delivery Systems

Project Cycle

- Project Definition
- Design
- Construction
## Delivery Systems

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International Practices

The growing popularity of Design/Build practice is due to:

- Shorter schedules
- More effective solutions
- Single source responsibility
- Fewer legal problems
- Simplified owner administration but requires a sophisticated client or program manager
The Future of International Project Delivery Systems

Increased innovation through alliances with:

- Financiers/Infrastructure Funds/Private Equity Funds
- Operator/Owner
- Supplier/Manufacturers/Vendors
- Material Suppliers
Strategic Planning

- Vision Statement – the Inspiration
- Strategic Plan
- Tactical Planning – the Perspiration
- Practical – are you . . .
  - The most attractive brand, or
  - The lowest cost provider
- Decision
  - Incremental improvement, or
  - Reinvention
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... especially in the taxation area (Brazil, Bhopal) ...
- If you are uncomfortable with fewer guidelines and more difficult project definition...

**DON’T GO!!!**
Operating in the Country

- If possible, commit a senior officer of your company.
- Structure a proper 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.
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.
- Where can the work be done most profitably in the short-term? The long-term?
- Can you legally, professionally and financially monitor and control the work done locally?
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 target market and the company’s anticipated market share
Initial Entry Strategy

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

- Skill levels required
- Division of responsibilities (local/foreign partners, staff, etc.)
- Supervisory needs
- Need for expatriate staff and inter- or intra-company billing procedures
- Quality control procedures
- Staff training
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?
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
AEC Managers

Henry Michel defined AEC managers as

- Undertakers
- Caretakers
- Risktakers

**WHICH WILL YOU BE?**
Class Discussion

Is Your Firm the Next Enron?

Volunteer

- What would be your most important concerns?

- What warning signals would you look for?

- What could you do?
Bechtel’s Power Outage

Volunteer

- What is Bechtel’s brand
- Why did Bechtel reduce the value of their shares?
- What did Bechtel do wrong?
- What was the impact of Bechtel being privately owned?
- What would you have done differently?
“The Lexus and the Olive Tree” - Volunteer

- Was it a useful course read?
- What is a trapeze?
- What is a trampoline?
- Is globalization irreversible?
- How has or will globalization affect the ruling elites?
- How are China, Russia and Japan responding to globalization?
- How should they respond?
- Are you likely, during your career, to work at home rather than an office?
- If you were the leader of a smaller nation, how would you respond to globalization?

Any suggestions for other course readings?
Any questions?
In Session 13 we will have your formal presentations to the Board!

GOOD LUCK
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