

MOVING TO AN INTERNATIONAL PRACTICE: Small, Medium, Large— Guidance for All Practices

Course Number WE300

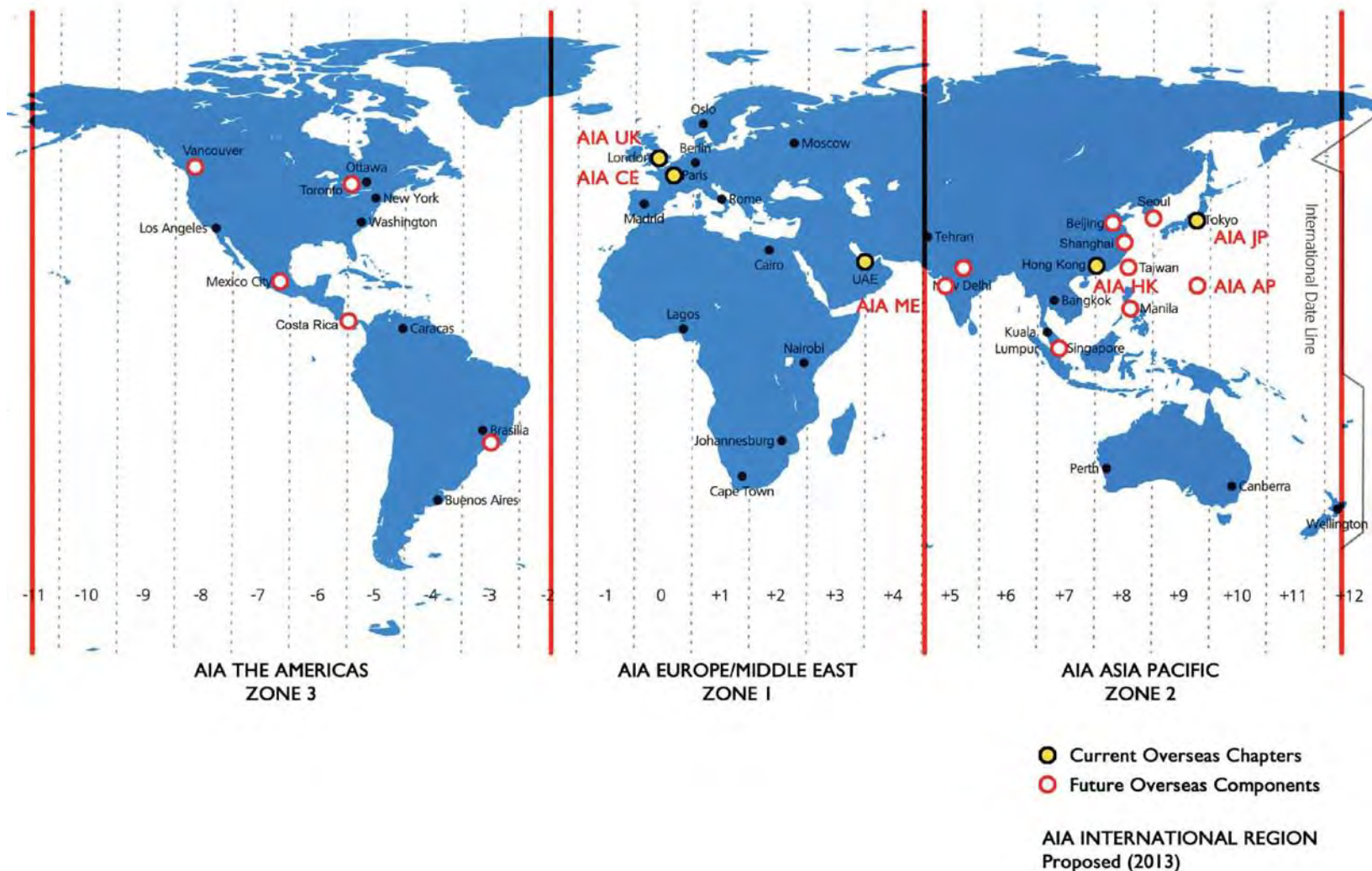
Wednesday, June 19, 1:00 pm – 5:00 pm

3.75 Learning Units

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Acknowledgments/Credits

The presenters are grateful for the contributions of AIA International Committee members, 2012 – 2013, and the AIA International Committee Advisory Group, 2012 – 2013.



Acknowledgments/Credits

The goal of the AIA International Committee and the AIA Committee Advisory Group:

Developing an ever strengthening network of global resources for AIA members and opportunities for best practice globally.

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Learning Objectives

- 1. Recognize the challenges, risks, opportunities, and rewards of practicing internationally.**
- 2. Discover the resources and tools available to architects to help them develop a successful global business strategy.**

Learning Objectives

- 3. Discuss** how other architects have addressed cultural, human resource, legal, and business issues to have successful business practices in major global regions such as China, the Middle East, and India, in addition to emerging markets in Africa.
- 4. Assess** a firm's readiness to expand into an international practice regardless of the size of the practice.

How the Federal Government Can Help

Export Resources for U.S. Architectural Firms

Eugene Alford

Senior International Trade Specialist, U.S. Department of Commerce

Terri Batch, MPA

Senior International Trade Specialist, Global Design & Construction Team Leader - U.S. Department of Commerce



AIA and ITA: a strong partnership

- We began our current partnership with the AIA International Committee
- The partnership has been successful for both of us

AIA and ITA: a strong partnership

In 2012, ITA was at:

- AIA Grassroots
- AIA national convention
- AIA board meeting, AIA NYC event
- AIA Market Developer Cooperator Program (MDCP)
- India mission

AIA and ITA: a partnership with vision

- In 2013: continued implementation of the AIA
MDCP
- AIA supports ITA 3 CS mission to India and Sri Lanka
- ITA meets with International Committee at
Grassroots

AIA and ITA: a partnership with vision

- ITA at AIA events in Chicago, Washington, Los Angeles, ITA at AIA convention in Denver
- Planning underway for next India and Sri Lanka mission in 2014
- and...

October 2013--Architecture services mission to Brazil: Rio and Recife

- Recruitment starts NOW!
- October 7-11
- See:
[http://export.gov/
trademissions](http://export.gov/trademissions)



October 2013--Architecture services mission to Brazil: Rio and Recife

- November 2012:
AIA leadership to
Brazil for XXIV
CPA/FPAA
- ITA arranges
meetings in Rio de
Janiero



Market Developer Cooperator Program (MDCP)

- What is an MDCP?
- Why and how do we invest in U.S. industry?
- \$219 in exports for every \$1 of MDCP award

Market Developer Cooperator Program (MDCP)

AIA MDCP

- AIA is awarded MDCP in September 2012
- Three year partnership
- Target markets: India and Sri Lanka
- Financial and technical assistance from ITA

Architecture in India—are you sure?

- India: seemingly endless opportunities—and challenges
- Indian government asks the U.S. to help out
- October 2012 mission to Chennai, Kolkata and Bangalore

Architecture in India—*are you sure?*

- 20 companies, 32 private sector participants
- AIA leadership deeply involved
- Strong, positive response from Indian private sector—developers, planners, architects, etc.
- Mission participants report interest in JVs, partnerships

Architecture in India—are you sure?

Now the issues...

- One man and a computer
- AIA and ITA officials receive emails, lots of emails
- Indian government inquiry

Architecture in India—are you sure?

- You are architects, just not Indian architects: designers and consultants
- Architects Act, 1972
- Mission participants legal briefing
- Colorado is not Wyoming

Architecture in India—what we learned

- ITA can't provide legal advice—why we contracted with Indian lawyers to brief mission participants re architects act, 1972
- Is this behind us? Yes and no. The GOI has moved on, but we need to be aware of renewed attempts to limit access

Trade Missions— How we and you plan

- Not all sectors created equally: “best prospects” such as education, healthcare v. single-family dwellings
- Suitability for mission: not an evaluation of architectural ability

Trade Missions— How we and you plan

Next steps

- 2014: back to India and Sri Lanka?
- Searching out new opportunities and addressing market access barriers together
- The AIA-ITA partnership continues

India Mission October 2012



BUSINESS WAS BRISK

India Mission October 2012



20 COMPANIES

U.S. Commercial Service



The U.S. Commercial Service is part of the U.S. Department of Commerce, an agency of the United States government.

Our mission:

- ▶▶ To promote the export of goods & services from the United States, particularly by small- and medium-sized businesses

U.S. Commercial Service



The U.S. Commercial Service is part of the U.S. Department of Commerce, an agency of the United States government.

Our mission:

- ▶▶ To represent U.S. business interests internationally
- ▶▶ To help U.S. businesses find qualified international partners

Our Proven Expertise Makes Doing Business Internationally Easier.

Whether you are looking to make your first export sale or expand to additional international markets, we have the expertise you need to tap into lucrative opportunities and increase your bottom line.

Our Proven Expertise Makes Doing Business Internationally Easier.

- **Trade Counseling.** Get the information and advice you need to succeed.
- **Market Intelligence.** Target the best trade opportunities.

Our Proven Expertise Makes Doing Business Internationally Easier.

- **Business Matchmaking.** Connect with the right partners and prospects.
- **Commercial Diplomacy.** Ensure your products and services have the best possible prospects for success in international markets.

Global Design & Construction Team

- The Global Design and Construction Team is made up of domestic and international trade specialists with the U.S. Department of Commerce - International Trade Administration and industry associations.

Global Design & Construction Team

- We specialize in working with the following industry subsectors:
 - Architecture/construction/engineering services
 - Building products (including HVAC, hardware, and power tools)
 - Construction equipment (including mining equipment)
 - Greenbuild & sustainable development
 - Interior design


Global Design & Construction Team

Some Key Team Activities:

- **Domestic Trade Shows** – International Builder's Show, World of Concrete, Greenbuild Expo, Ecobuild America, Conexpo/Conagg
- **International Trade Shows** – Worldbex, VietArc, Bauma, Conexpo Asia, Guangzhou International Lighting Exhibition, etc.

Global Design & Construction Team

Some Key Team Activities:

- **Webinars** – Market Specific & Topic Specific
- **Trade Missions** – Architectural Road Show (China), Secretary Clean Mission (China & Indonesia), Architectural Trade Mission to India, Sri Lanka, Brazil
- **Social Media Group: Global Design & Construction Trade Leads from US Commercial Service** 

Global Design & Construction Team

The screenshot shows the export.gov website interface. At the top left is the logo "export.gov" with the tagline "Helping U.S. Companies Export". To the right are links for "Register | Manage Account" and a search bar. A navigation bar contains "Opportunities", "Solutions", "Locations", "FAQ", "Blog", and "Connect". The breadcrumb trail reads "Home > By Industry > Architecture & Engineering".

Site Navigation

- ▶ [Architecture & Engineering Industry Page](#)
- ▶ [Construction, Building & Heavy Equipment Industry Page](#)

Important Links

- ▶ [Architecture Resources](#)
- ▶ [Engineering Resources](#)
- ▶ [Design & Construction Team Members](#)
- ▶ [Trade Leads for U.S. Companies](#)

Architecture & Engineering

Welcome to our **Architecture & Engineering** page, your home for industry information and expertise for the global marketplace. We provide the most recent market research, trade leads and industry event information.

This page is managed by the U.S. Commercial Service's **Global Design & Construction Team**. The **Global Design and Construction Team** is made up of domestic and international trade specialists with the U.S. Department of Commerce - International Trade Administration and industry associations. To find a team member nearest you, please go to our [team member directory](#).

We specialize in working with the following industry subsectors:

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FEATURED OPPORTUNITIES

**American Institute of Architects and the AIA Chicago Chapter
Presents "Working Abroad in India: Pros, Cons, and Ways Forward"**

Tuesday April 30, 2013

India, one of the world's fastest growing economies, presents lucrative opportunities for U.S. companies which offer products and services that help to meet the nation's rapidly expanding infrastructure, commercial, and housing needs.

www.export.gov/industry/architecture

Highlights from Today's Presentation

- International markets can provide an important source of revenue diversification.
- Opportunities exist for firms that can define and communicate their market value-added and can afford a time horizon beyond a quarter.

Highlights from Today's Presentation

- Key contacts and information about UAE, Brazil, and China markets
- The US Department of Commerce is your ally
 - Global Design & Construction Team
 - Local Export Assistance Center

Market Development Challenges

- **Project finance**
- **Building an appropriate/trustworthy network**
 - Appropriate partners and projects
 - Communication
- **Competitive pricing and getting paid**
 - Culturally-colored perception of the value of “services”
 - Value of a contract

Market Development Challenges

- **Different approaches to doing business**
 - Corruption
 - Building standards
 - International competition and advocacy
- **Competition and existing vested relationships**

Market Drivers

- Global urbanization
- Energy and water security
- Climate and environmental change
- Materials demand



Market Identification

- **First question: What value do we bring to the market?**
 - Niche specialty?
 - Ability to bring in finance and other solution providers?
 - Outstanding expertise and track record?
 - Price advantage?

Market Identification

- **Second question: Is the market ready for us?**
 - New project types coming on-line that mirror your expertise?

Market Identification

- **Third question: What are the costs of doing business in the market?**
 - Explicit costs: transportation, degree of operational difficulty, financial obstacles
 - Hidden costs: communication (cultural) barriers, corruption, lax project execution, etc.

Getting paid and avoiding unforeseen challenges

- Don't do anything that you wouldn't do in the US
- Communicate your value consistently and effectively
- Exercise careful due diligence on partners and clients
- Make wise use of USG resources overseas (Ex-Im Bank)

Getting paid and avoiding unforeseen challenges

- Consider ways to minimize your transaction risk, e.g., terms of payment, letters of credit, currency management
- Identify conflict resolution procedures in contract
- Be present
- Don't do anything that you wouldn't do in the US

Getting paid and avoiding unforeseen challenges

Getting Paid for International Work (Published by AIA):

http://info.aia.org/aiarchitect/thisweek09/0501/0501b_getpaid.cfm

Is China (and other rapidly emerging markets) for me?

- **Gross statistics on market size are irrelevant for an individual firm**
 - They tell you nothing about the costs and benefits of market engagement for *your firm*



Is China (and other rapidly emerging markets) for me?

- **If you go:**
 - Don't rely on "guanxi"
 - (you probably don't have it)
 - Prospect in second-tier cities



Is China (and other rapidly emerging markets) for me?

- **If you go:**
 - Exercise thorough due diligence
 - Find a way to be present over time
 - Be patient, but have an exit strategy



Should we ignore “mature” markets like Europe?

- **Maybe. But not necessarily. If you can identify niche opportunities and the right partners, you can take advantage of (over the long term):**
 - Relative transparency and a strong legal system + a manageable operating environment= lower risk
 - Via local partners, the prospect of joint project development in neighboring regions

Should we ignore “mature” markets like Europe?

- Maybe. But not necessarily. If you can identify niche opportunities and the right partners, you can take advantage of (over the long term):
 - Relative transparency and a strong legal system + a manageable operating environment= lower risk
 - Via local partners, the prospect of joint project development in neighboring regions
- **Plant seeds when the market is down**

Strategies for smaller firms

- **Court larger US clients for overseas work**
 - Initial track record that can help you to expand your client base
- **Be strategic, not opportunistic**
 - Apply your limited resources where they will yield the greatest return
 - Generally, don't respond to "trade leads"



Strategies for smaller firms

- **Build a reliable network for project identification and execution**
 - USDOC should be part of that network
- **Follow the money**
 - Who is investing what where?
 - Multilateral development banks
 - » Private arms (IFC, etc)



What *NOT* to do #1

- **DO NOT** wait to develop international strategy until all domestic opportunities are exhausted – or until there is a domestic downturn!



What *NOT* to do #1

- **DO NOT** wait to develop international strategy until all domestic opportunities are exhausted – or until there is a domestic downturn!
 - Developing the domestic market takes time
 - Developing international markets will also take time



What *NOT* to do #2

- **DO NOT** dismiss going international altogether
 - There may be strategic reasons to not go international, but remember...

What *NOT* to do #2

- **Your foreign competitors are in their home markets, the U.S. market, and probably other markets, as well**
- **Competitors bring their international strength and know-how to the U.S. market and use it to compete against you**

Market Overview: United Arab Emirates

- Construction is largest sector of the economy after oil and trade
- Affected by the global economic crisis, but still moving forward, new mega project announced - Mohamed Bin Rashid city
- New building codes with substantial sustainable construction requirements almost complete, called Estidama
- LEED standards

Market Overview: United Arab Emirates

Important Resources:

- Abu Dhabi Urban Planning Council:
www.upc.gov.ae
- Emirates Green Building Council:
www.emiratesgbc.org
- Dubai municipality: www.dm.gov.ae
- Abu Dhabi Department of Municipal Affairs:
<http://dma.abudhabi.ae>
- Abu Dhabi Municipality: www.abudhabi.ae
- Building Standards almost complete:
- www.estidama.com

Market Overview: Brazil

- Over US\$ 50 billion in investments from 2010-2016 for the World Cup and the Olympic Games
- Foreign companies are required by law to have a local presence to participate in tenders
- “Unofficial” requirement for interested companies is to have previous experience with sport events

Market Overview: Brazil

Important Organizations and Partners:

- The Olympic Committee
- Brazilian Soccer Federation
- The Brazilian Economic and Development Bank
- Rio Construction Association (Sinduscon Rio)
- Rio Federation of Industries (FIRJAN)
- The Council for Architecture and Planning (CAU) – www.caubr.org.br

Market Overview: Brazil

Important Organizations and Partners:

- The Brazilian Association of Architecture firms (ASBEA) - www.asbea.org.br
- The Brazilian Institute of Architects - <http://www.iab.org.br>
- Brazil-US Business Council
- Ex-Im Bank (increasingly active in Brazil)
- OPIC (Housing, project finance, guarantees)
- USTDA (office in Sao Paulo)

Market Overview: China

Focus: Green Building

- Market is expanding – Total floor space increased 6 % per year since 2000, reaching 40 billion square meters by 2006
- Energy consumption grew at a faster rate – 10%

Market Overview: China

Focus: Green Building

- Challenges include low awareness, limited technology, and inconsistent regulatory control
- Best Prospect Solutions – Energy Efficiency, Water Efficiency, Optimized Materials, and Cross- Area

Market Overview: China

Important Resources:

- **Ministry of Housing and Urban-Rural Development (formerly Ministry of Construction)**

<http://www.mohurd.gov.cn/>

See also:

http://www.uschina.org/public/china/govstructure/govstructure_part5/

- **Ministry of Science and Technology**

<http://www.most.gov.cn/eng/>

Market Overview: China

- **China Building Materials Industries Association**
<http://cbmia.cbminfo.com/english/eindex.htm>
- **China Energy Conservation Program**
<http://www.cecp.org.cn/englishhtml/index.asp>
- **Ministry of Environmental Protection of China**
<http://www.mep.gov.cn/>
- **US China Build (a program of Evergreen Building Products Assoc)**
<http://www.uschinabuild.org>

Upcoming Events

- **Green Building Brazil International Conference & Expo** - August 27-29, 2013
- **Kazbuild** – September 4-7, 2013
- **Ecobuild Malaysia** – September 17-19, 2013
- **Beijing International Construction Expo** – October 15-18, 2013

Upcoming Events

- **US Pavilion at the 40th Baghdad International Fair (BIF) - November 1 – 10, 2013**
- **Architecture Trade Mission to Brazil – Recife & Rio –(October 7-10, 2013, *tentative*)**
- **Architecture Trade Mission to India – Mumbai – (Spring 2014, *tentative*)**

Best Practices

- Work with a local partner can help you understand culture, standards and regulatory environment
- Vet the foreign company in advance of forming commercial ties
- Use the U.S. Commercial Service to help identify opportunities
- Be patient



Thank You

Open forum panel following to discuss more of the above with expert panelists in part two of this workshop following presentations.