



AIA Practice Management

Opportunities and Understanding for International Practice

Greenway Group



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LEARNING OBJECTIVES

1. Understand the growth potential and opportunities in the international marketplace
2. Gain insights into the market sectors and countries with the most significant growth
3. Learn how to establish and grow an international design practice
4. Develop a knowledge of the components of a successful international practice



AGENDA

Opportunity:

2012 Multinational Design Firm Survey
DesignIntelligence Sept/Oct 2012
Doug Parker

Global Game Plan:

Developing an International Practice
Tom Fridstein

Q&A



SEPTEMBER/OCTOBER 2012

WWW.DI.NET

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DesignIntelligence®

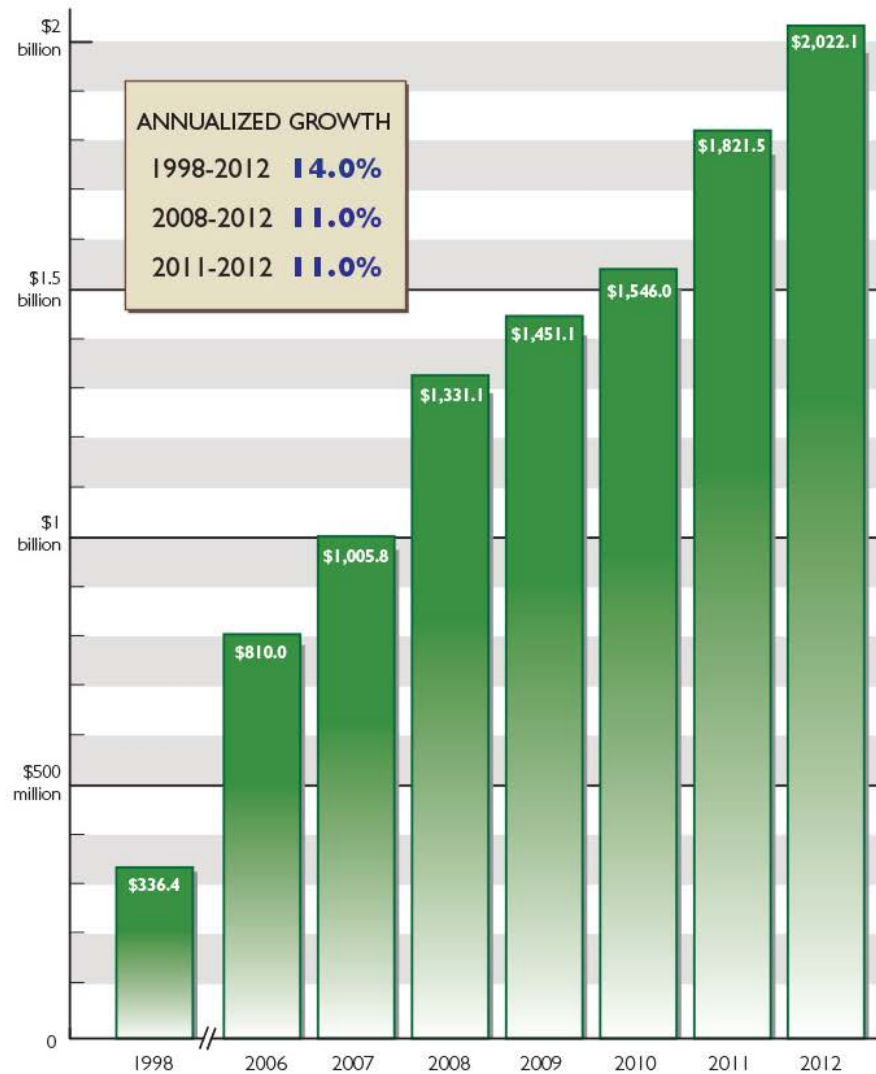
2012 MULTINATIONAL DESIGN FIRM FEE SURVEY

GLOBAL SUCCESS
COMES IN ALL SIZES

US Architectural Firms
Exported \$2.02 Billion
In Design Services

HISTORICAL PERSPECTIVE

Total Non-U.S. Gross Revenue of the *DesignIntelligence*
Top 30 Multinational Design Firms (in Millions)

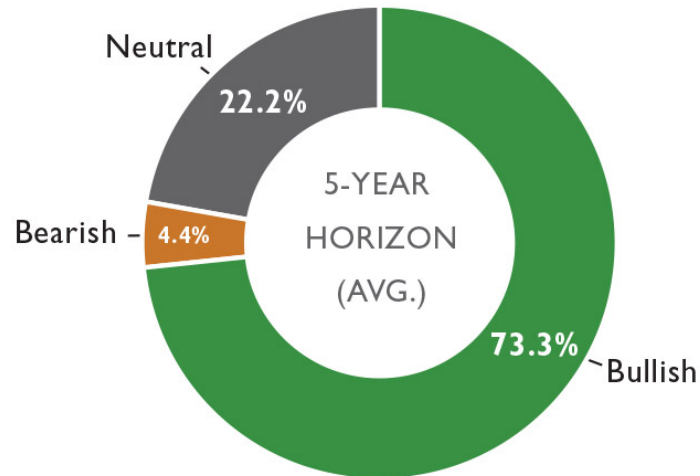


FUTURE PERSPECTIVE

What percentage growth or decline do you anticipate for non-U.S. based gross revenue in 2013?

Avg. +13.9%
(range -2% to +150%)

As you look out on the five year horizon and think about opportunities for U.S. architects abroad are you **bullish**, **bearish** or **neutral**?



NON-US WORK REVENUE

For the top 30 firms, the average percent of total gross revenue that represents non-U.S. work is

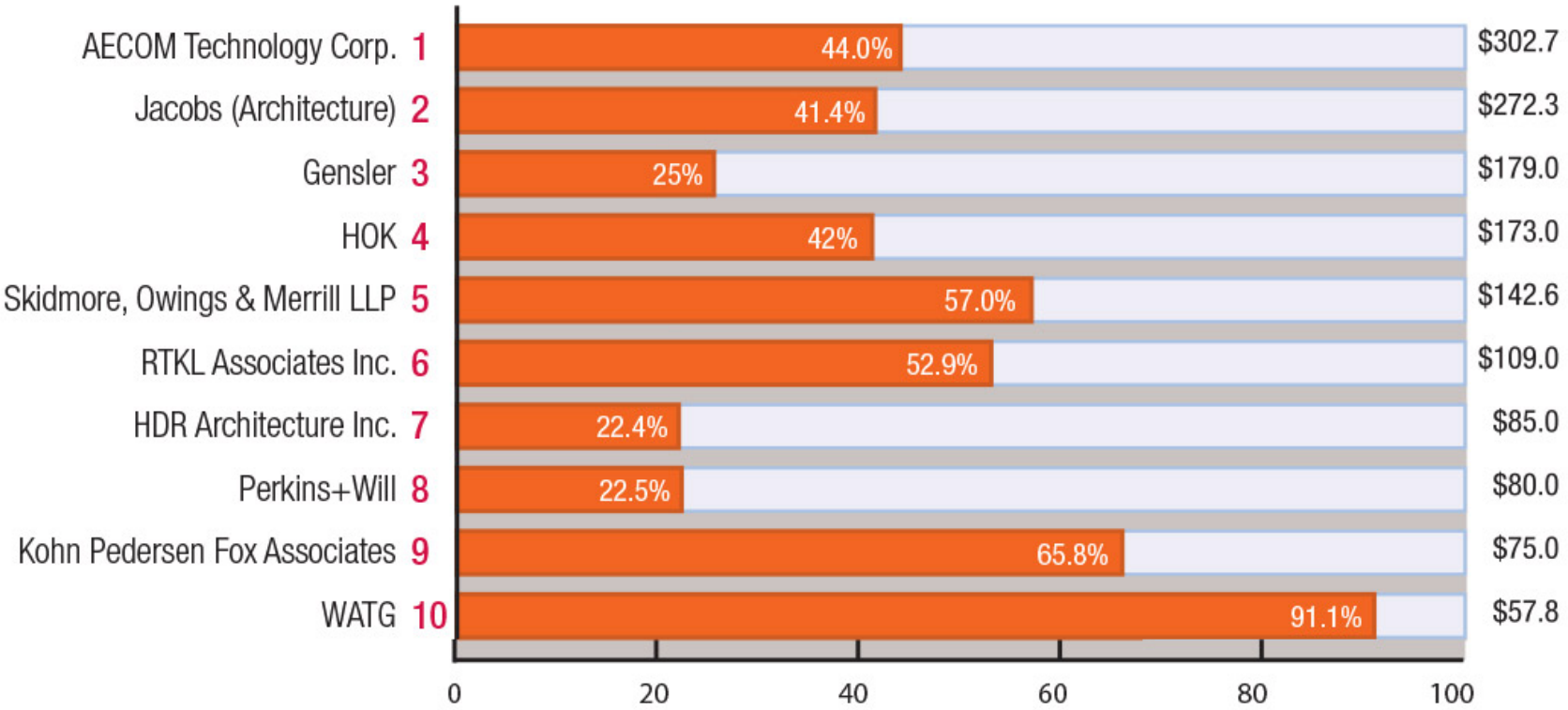


For firms 31-50, the average percent of total gross revenue that represents non-U.S. work is



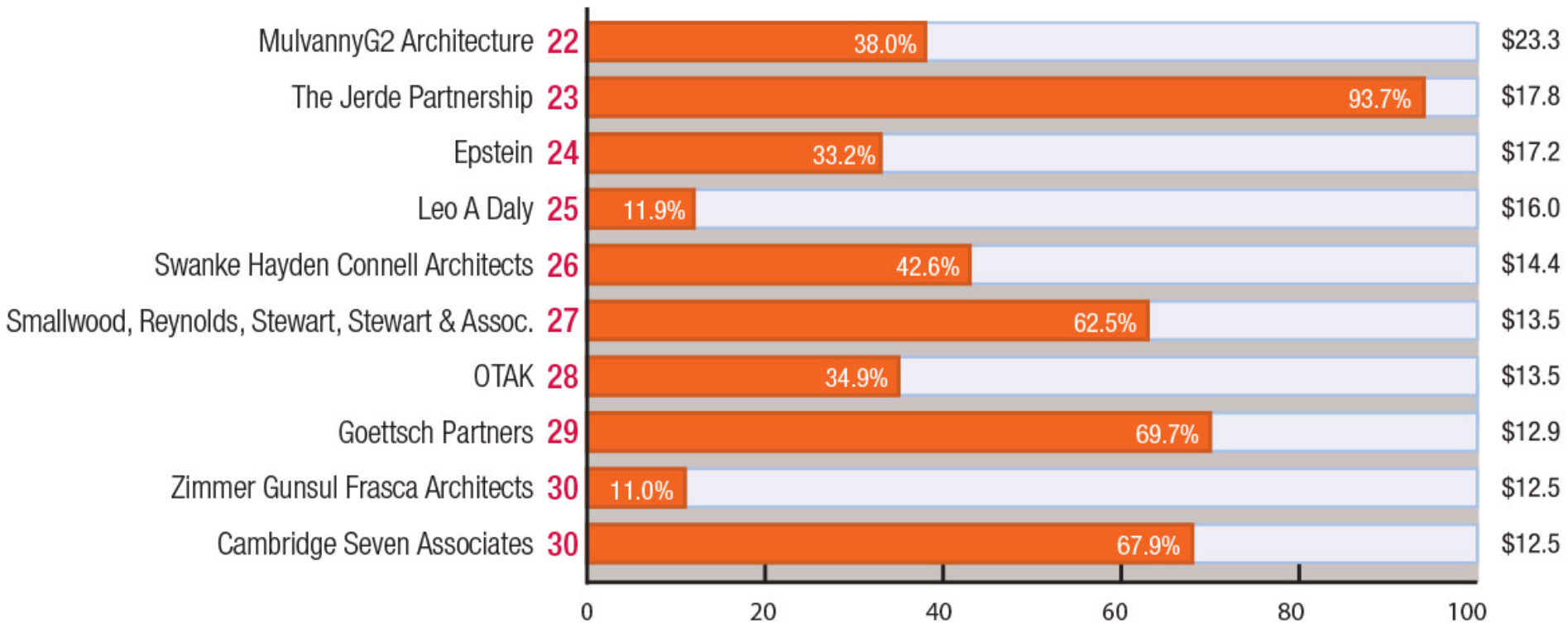
NON-U.S. GROSS AS PERCENTAGE OF WORLDWIDE GROSS (TOP 10)

WORLDWIDE
GROSS
▼



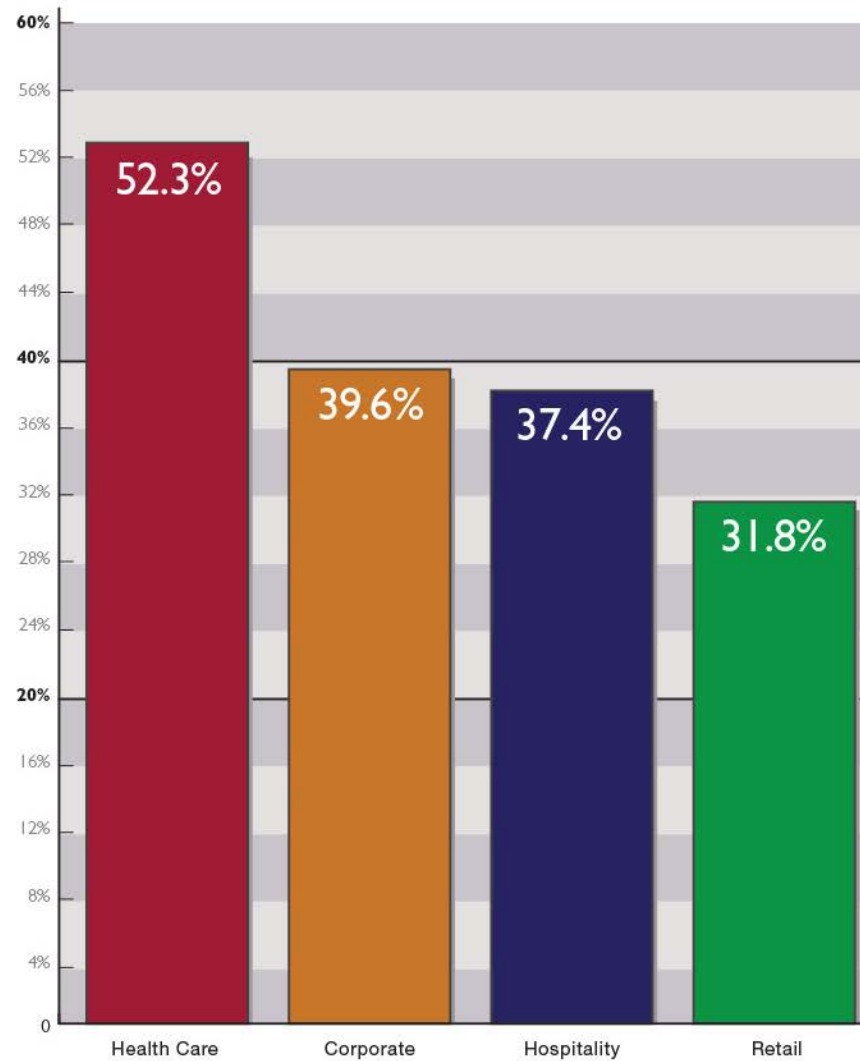
NON-U.S. GROSS AS PERCENTAGE OF WORLDWIDE GROSS (BOTTOM 10)

WORLDWIDE GROSS ▼



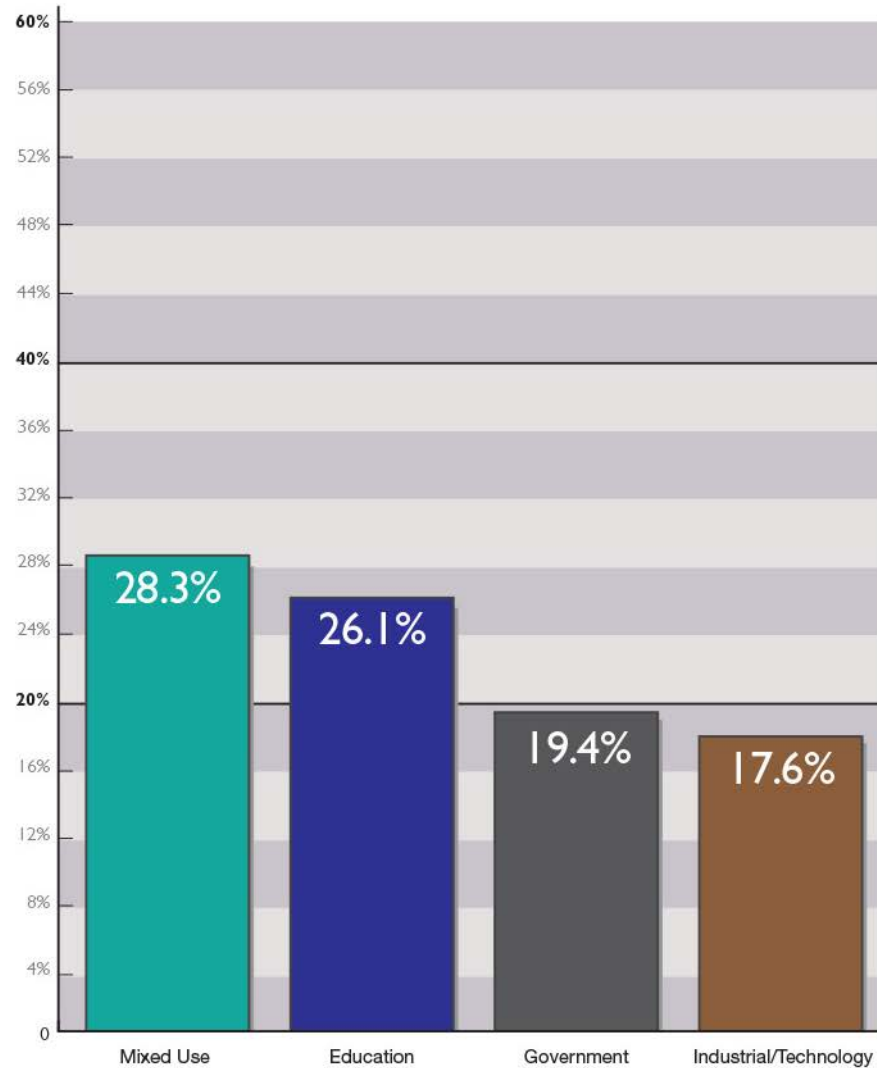
MARKET SECTORS

Percent of responding firms that report working in the following market sectors



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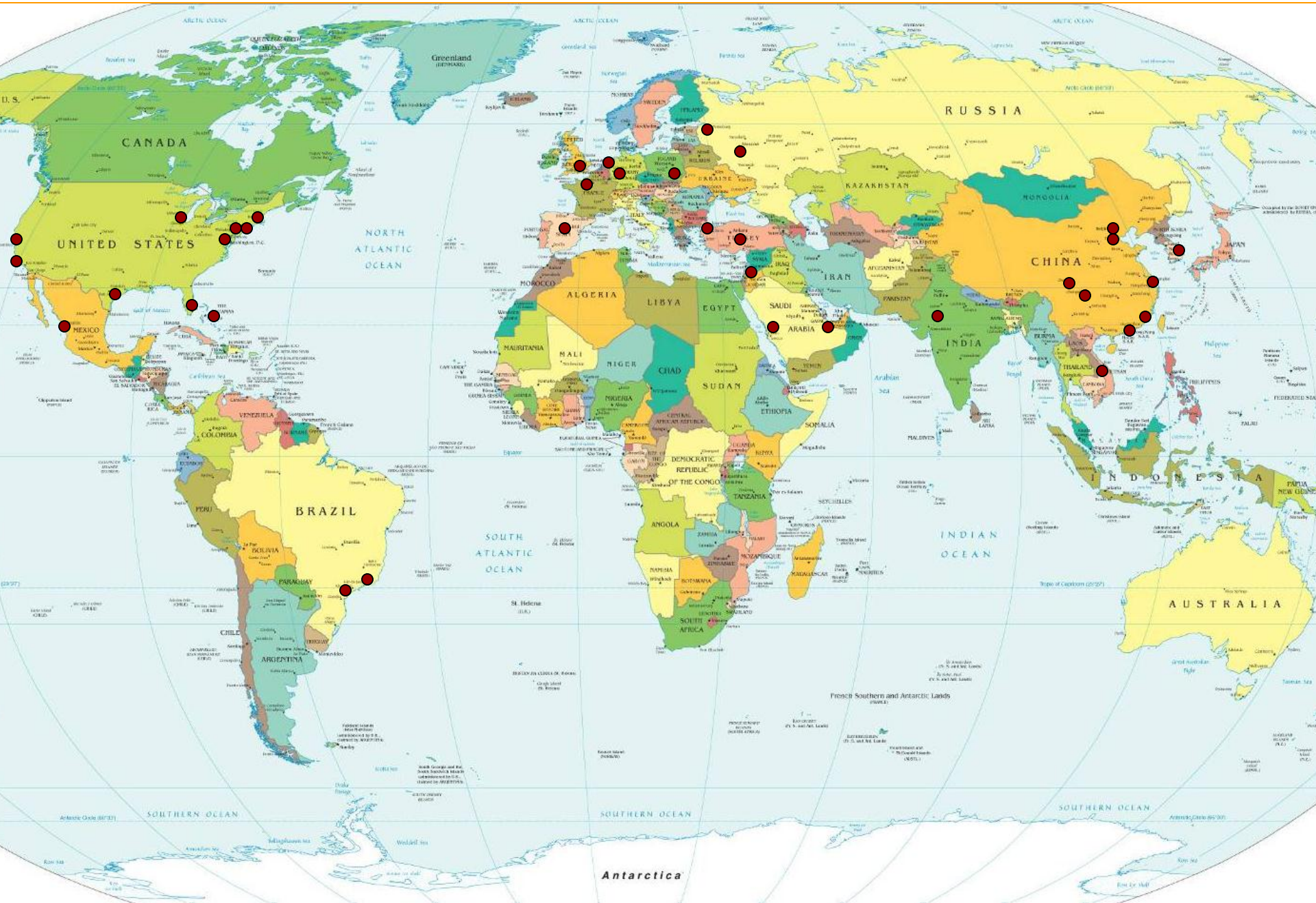
GEOGRAPHIC MIX

Top Nine Geographic Regions	
Middle East	65%
Europe	52.5%
Asia	42.5%
Canada/Mexico	45%
China	45%
India	30%
Latin America	27.5%
Africa	22.5%
Australia/New Zealand	12.5%

Global Game Plan

Strategies for International Practice

Thomas K. Fridstein FAIA, RIBA, LEED AP
Executive Director
Cunningham Group China

[illegible]





Global Architectural Practice

- International Projects
 - Prior to mid-1980's
 - US architects selected for individual projects
 - Extension of normal domestic practice
- Global practice
 - Since mid-1980's
 - US architects actively market abroad
 - US offices established in foreign countries

International Markets

- Trends that create opportunities for development and architecture:
 - Deregulation
 - Privatization
 - Common currency and regulations
 - Emerging economies
- Requirements
 - Stable economy and politics
 - Transparency in transactions
 - Predictable market
 - Physical Security

Global Opportunities for US Architects

- Britain's "Big Bang"
- The Fall of the Wall
- The Age of the Euro
- Asia's awakening
- Petro-nations
- High-Tech India
- Latin America's stability
- Africa's development



Global Opportunities for US Architects

The World is FLAT!

-Thomas Friedman

Issues of Global Practice

- Language
- Travel
- Technology
- Culture



The Cultural Challenge



Risks of Global Practice

- Costs
- Time
- Compensation
- Design control
- Politics and economics
- Employee Safety



New Realities in Global Practice

- Global clients more sophisticated
- Local architects have increased competency
- Many established US offices in foreign locations
- Geopolitical /Economic instability
- Employee safety

Global Practice: Strategic Questions

- Why do you want to Practice Internationally?
- Where do you want to Practice?
- What Services will you offer?
- Who will be your Clients?

Entering a Market

- Strategic focus on major markets
- Understand tax, currency and business regulations
- Selective projects – must meet pre-established criteria
- Local presence essential
- Utilize company-wide resources to support local activity
- Establish local office when required

Aspects of Global Practice

- Winning the project
- Design contracts
- Design and documentation
- Construction methodology
- Construction phase services



Key Factors to Win the Project

- Recognized Expertise in the Project Type
- Geographic Presence and Local Knowledge
- Personal Relationships and Trust
- Design Reputation
- Management Capabilities
- Competitive Fee
- Design Competition (?)



Design Contract Issues

- Contract law differs by country
- Expected design services differ by country
- Local partner may be required for DD,CD and CA
- Similar terms do not necessarily have similar meanings
- Dispute resolution may be impractical in some countries
- Liability differs by country
- Binding contract may be in foreign language

Design Contract Issues - \$\$\$

- Payments in local currency
 - Taxes. currency repatriation, foreign exchange risks
- Project-related expenses often included in fee
- Payments by approved phases, not monthly
- Difficult to receive overdue receivables
- Clearly define scope with client and local partner and avoid scope creep
- Fees may be lower due to competition and local costs
- Fees for additional services are often difficult to obtain

Design and Documentation

- Understand local codes, customs and construction technology – design to what can be built
- Know and respect the local culture –design appropriately
- Consider the availability and cost of imported products and technologies
- Documentation must conform to local practices and regulations
- Documents may need to be in local language or dual language and will likely be in Metric measurements



Construction Methodology

- Understand the construction methodology in the location and how contractors are selected, contracted and managed .
- The design documentation must be consistent with the construction methodology and information requirements.
- Avoid corruption and improper activities



Construction Phase Services

- The Architect/Engineer role during construction is different in many countries.
- Understand the role of the A/E expected by the client , the contractor and the authorities and have all contracts reflect that role.
- The design may change considerably during construction.



Keys for Success in Global Practice

- Focus on selected locations and build brand image
- Gain locale knowledge and expertise
- Pursue high value, high fee, expertise-driven projects
- Take well-managed risks
- Build local presence incrementally
- Good local and corporate leadership and management
- Charismatic local leader with sound business practices
- Be smart, be careful

Global Reality

The International Practice of Architecture



AIA Practice Management

Opportunities and Understanding for International Practice

Questions & Answers

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