



International A/E/C Business: A Viable Option?

By Peter J. Kienle, FSMPS, CPSM, MBA

As marketing manager for a national architecture firm in the late 1980s, I was tasked to work with the firm's Columbus, OH, partners, who were exploring international markets for our design services. I remember getting RFPs faxed from countries around the world, reviewing them and responding. I don't believe we had a GO on any one of them.

Forty years later, we live in a much smaller world brought about largely through advances in technology. A recent article from consultants Lodestar Solutions includes a startling comment made by David Schilling: “We are, on average, doubling human knowledge every 13 months and with the internet, on our way to doubling our knowledge every 12 hours.” Try to wrap your brain around that!

With \$11.5 trillion in worldwide construction in 2020, only \$1.34 trillion, or 12.5%, was spent in the U.S. So, that means \$10.16 trillion or 87.5% was spent in other countries. This was an amazing statistic to me, and I’m sure to many other A/E/C marketing professionals, except possibly those in firms doing significant international work. What does it take to be a player in non-U.S. countries, and what are some of the leading countries?

International vs. Global Market Strategies

First let’s define the difference between international and global market strategies for A/E firms and construction companies. *Engineering News-Record (ENR)* annually publishes a list of the Top 250 International Contractors and the Top 250 Global Contractors. Contractors here are defined as architects, engineers, or construction contractors, or some combination.

An international market strategy is needed when a U.S. firm has many local and some international networks. The firm typically has a national headquarters, local subsidiaries, overseas departments, and some international firm acquisitions. It also usually has many national market segments and few international segments; it’s diversified at home but specialized abroad.

ENR’s Top 250 International Contractors list contains only four U.S. firms in the top 100: Fluor, Bechtel, Kiewit, and Atlas Group. Only the top 71 contractors list \$1+ billion in annual revenue, and #250 has only \$26 million in annual revenues. The entire list has only 39 U.S. construction contractors, or 16% of the total number of firms.

A global market strategy organization has a global network orientation, usually with a world headquarters and international subsidiaries. These are mostly contractors with design capabilities that have standardized products for specialized market segments—varied building types, roads/bridges, water treatment, energy, etc.



ENR’s Top 250 Global Contractor’s list is comprised of very large construction contractors—the top 221 each have \$1+ billion in annual revenue—and the list changes little over time. The average global contractor revenue is higher than the GDP of many countries in the world.

So how do firms decide they want to go global? For the purposes of this article, I focused primarily on international design and construction contractors.

Perkins Eastman

I interviewed Bradford Perkins, co-founder and chair of Perkins Eastman architects. His firm has over 1,000 employees and has worked in over 60 countries. International work comprises 26% of the firm’s annual revenues. He has directed several hundred projects in over 30 countries across a wide spectrum of building types. Perkins says historically there have been three primary successful approaches for design firms wanting to expand globally:

- Big, high profile international firms
- Big-name, world-class designer firms, often called “Starchitects”
- Specialists in an area

Tarkington Park, Indianapolis, IN. Rundell Ernstberger Associates, Guidon Design, Axis Architecture + Interiors, Brandt Construction. ©Susan Fleck Photography, fleckphoto.com.

Story Behind the Picture

Tarkington Park was developed in a long-neglected neighborhood in the heart of the city. Residents were skeptical when they heard of plans for the park and wonderfully happy after construction was finished. Tarkington is now a destination urban park, attracting a wide variety of users. The park features an innovative playground, splash pad, cafe, basketball and tennis courts, sitting gardens, and a performance stage.

The World at a Glance

180 countries

7.8 billion people

Gross Domestic Product (GDP)...

\$84.5 trillion

2020 worldwide construction...

\$11.5 trillion

John Wiley and Sons recently published his 2021 book, *The Architect's Guide to Developing and Managing an International Practice*,¹ a must-read for any design firm contemplating international work. In the book, he lists the most common and challenging issues, including:

- Does an international practice fit our strategic plan? Where do we start?
- Can we get projects that will enhance the firm?
- Can we operate within ethical and legal guidelines?
- What will it take to be competitive and successful?
- How have other firms succeeded in this market?
- What presence do we have in the market to be competitive?
- Who would manage the international office and what is their role?
- Do we have the technology/communications platform that can support an international practice?
- What are the risks, and can we afford the results if the practice is not successful?
- What investment will it take to establish our firm?
- How much risk can we take before abandoning the market?

From his 50 years in the international design and construction business, Perkins cites the eight most common reasons design firms start an international practice:

1. A strong personal interest
2. An influential friend or business associate
3. Introductions from family and friends
4. A client who takes you international
5. International clients seeking specific expertise
6. Foreign design firms seeking specific expertise
7. Targets of opportunity
8. A planned effort

A planned effort makes the most sense, but projects dropped in your lap can get emotions flying high. In the U.S., design firms would typically not pursue a new market or a new office without a plan. Overseas work can be expensive, disruptive, and a serious distraction from U.S. business. Most see risk as the biggest concern, says Perkins, and getting started can often cost several hundred thousand dollars.

Stantec

John Hanula is senior vice president and global director for business development, global water business line, at Stantec, headquartered in Edmonton, Canada.

Stantec is a design firm with annual revenues of \$3.7 billion and 22,000 employees in 350 offices worldwide. Its revenues come from the U.S. (53%), Canada (29%), and all other countries (18%). Their worldwide water projects comprise 21% of Stantec's total annual revenue, or \$780 million a year.

Hanula says that the "Starchitect" moniker does transfer value for architects being considered for international work, but there's no similar value for engineers. And many other countries see general civil engineering as a commodity.

Moody Nolan

Todd Dove is a partner of Moody Nolan, the 2021 AIA Firm of the Year. Headquartered in Columbus, OH, the 260-person firm has designed building projects throughout the U.S. for both public and private clients.

In the depressed market of 2008, Moody Nolan started a retail design studio—the plan was to contact potential large store clients. Dove says they were "patiently persistent" for several years, not asking for work but providing helpful information and developing a relationship. They "got in line for work" and finally

their number came up with L Brands. About 10 years ago, they were commissioned for their first project with Bath and Body Works, Inc. (Chicago office) and then Victoria's Secret, which included a new store design, renovations, and related services.

L Brands asked if Moody Nolan would be interested in international store projects (working up through the design development phase), with local firms completing the construction documents. The firm said yes, and today it works on about 60 L Brands' store projects a year—half are international. Though they're getting a taste of international work, they (for many reasons stated in this article) aren't considering opening international offices.

Top Three International Design and Construction Markets by Country

Graham Robinson, global business consultant with multinational law firm Pinsent Masons, LLP, in the U.K., recently wrote an article, "Global construction market to grow \$8 trillion by 2030: driven by China, US and India." The article is based on the report, *Global Construction 2030*, fourth in a series of studies to be published by Global Construction Perspectives and Oxford Economics.²

Robinson says the China market will grow marginally over that time, with the U.S. market outpacing it by about 5% per year. India will overtake Japan as the third largest construction market, growing twice as fast as China, largely due to its staggering projected urban population growth of 165 million. With the possibility of the Federal Reserve raising interest rates this month, emerging markets—Brazil, Russia, Turkey, and India—could face big risks in their construction programs; some may halve their construction by 2030.

China. China is the largest construction market in the world, fully 32% (or \$3.7 trillion) of all construction in the world. By contrast, the U.S. only comprises about 12.5% (or \$1.4 trillion) of world construction. In addition, half of the top 10 construction companies in the world are China-owned. The largest construction company in the world is China State Construction and Engineering at \$178 billion.

According to Perkins, while the major international civil engineering firms are active in China, much of the work being commissioned for design firms is limited to planning, architecture, landscape architecture, and urban design.

For a firm with a design excellence reputation in major building types and strong connections in China, there's opportunity for large projects both in the U.S. and abroad. Two of the largest projects in New York

are being developed by clients from China. Many U.S. design firms have a presence in China—several dozen firms in the *ENR* Top 500 Design Firms.

To be successful in China, your firm needs an experienced advisor. A long-term commitment is needed, while understanding the many related risks.

Japan. Still ranked as third in world construction, Japan will be overtaken by India in the next few years. Japan has the fourth largest economy in the world and a population of 126 million. U.S. firms have opportunities to work on large, challenging projects and can expect better results than in many countries. Japan is one of the most expensive countries to live in the world—Tokyo is the most expensive city in the world. Construction is projected at a slow growth rate of .9 % from 2022 to 2025. Combined with an aging and shrinking population and slow-growth economy, the opportunity for work is also decreasing. Due to difficult licensing, most U.S. firms serve as design consultants. They work on schematic and design development stages and then a local design/builder usually takes it from there. But Japan has many of the *ENR* Top 500 design firms.

Julia M. Carson Transit Center, Indianapolis, IN. AECOM, Axis Architecture + Interiors, Guidon Design, Loftus Engineering, Rundell Ernstberger Associates. ©Susan Fleck Photography, fleckphoto.com.





Rose-Hulman Institute of Technology, Terre Haute, IN. RATIO Design, Garmon Construction. ©Susan Fleck Photography, fleckphoto.com.



If your firm is already working there, you have an in, but it would be hard to start now from scratch.

India. The country's construction industry is projected to reach \$1.4 trillion by 2025. Construction expenditures can be divided into two categories: real estate and infrastructure. By 2030, real estate is expected to reach \$1.4 trillion. The National Infrastructure Pipeline (NIP) investment in 2020 was \$1.4 trillion for renewable energy, roads/highways, urban infrastructure, and railways.

The growth drivers are the government's National 100 Smart Cities Mission: 11 industrial corridors being developed, redevelopment of 600 railway stations, six new ports and three mega ports planned, and increasing demand for commercial space. India has a clear, well-documented plan for development, and international firms can see their opportunities for design and construction work. Due to the country's fragmented system, there are few large local construction companies. India is starting to see public-private partnerships, a well-established construction option in the U.S.

Mark Erdly, AIA, principal of Cannon Design, whose firm currently has a \$42 million project at the Tata Medical Center Cancer Hospital, said he thinks "in the next generation, the entire infrastructure of the country is going to be rebuilt for a fifth of the world's population." He now lives in India and advises that architects entering the India market don't need an office there to do work, but if they decide to open an office, they should first start a field liaison office or an office with a native firm. He goes on to say global design giants are working in India, but there are also a good number of medium to large design firms there too. Local clients

are not necessarily looking for size but a "design brand." Many say large clients will pay a premium for "branded" American design firms.

Many Indian architecture and engineering professionals, both in the U.S. and India, were educated in top U.S. universities. They understand how a design firm operates in the U.S., making for better communication overall.

Summary

There are many U.S. companies doing steady and growing work abroad—I've only reviewed three large countries in this article, but what about the other 177? Many countries could prove to be a viable market for any U.S. firm.

Take Spain as an example. With a population of 47 million and a GDP of \$1.28 trillion, it's the 19th largest country in the world in annual construction revenue (\$80 billion). Its diverse economy is growing steadily, and supportive of U.S. A/E firms. At least 16 large U.S. A/E firms reported having worked there in 2018. There's a steady stream of projects, including many to support a thriving tourist business. While few U.S. firms have offices there, an established track record of design excellence for any U.S. firm would make it competitive.

The bottom line is that all 180 countries are different—any design firm going after international work must do its due diligence before starting work. Even working for a U.S. company or as consultant to another design firm may pose unanticipated risks. Before you take the international leap, take the time to research, strategize, and plan, making sure you have the right people and connections in place. ■

Story Behind the Picture

This free-standing glass pavilion sits beside the Mussallem Union and can be used in nearly all weather. Sliding glass doors provide many options for a variety of events. A generous sun shade and a green roof help keep the space cool.

RESOURCES

¹ *The Architect's Guide to Developing and Managing an International Practice, 1st Edition.* Bradford Perkins. Wiley, March 16, 2021.

amazon.com/Architects-Developing-Managing-International-Practice/dp/1119630169

² *Global Construction 2030*, Global Construction Perspectives and Oxford Economics
ice.org.uk/ICEDevelopmentWebPortal/media/Documents/News/ICE%20News/Global-Construction-press-release.pdf



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