

CHAPTER 1

Introduction and Historical Overview

INTRODUCTION

Virtually every aspect of the North American economy has been affected by globalization. Design professionals—architects, engineers, planners, interior designers, and more than a dozen other related design disciplines—are currently engaged in countries around the world. For a growing number, international projects are an essential part of their practice; for most, such work is an interesting—but secondary—part of their workload. For many, international work has been both professionally challenging and profitable, but for others it has been a serious drain on their firm’s human and financial resources.

This book is intended as an introduction to the issues involved in developing and managing an international practice. Because of the author’s direct, personal experience, the primary focus is on the issues facing architects, planners, landscape architects, and interior designers, but much of the material applies to other design disciplines as well.

Specifically, this book was written primarily for six groups:

1. North American design professionals as well as students and interns who have no, or very limited, international experience but who are interested in exploring foreign work
2. Architects and others who do not work overseas and who are looking to confirm their decision to stay near home
3. Firms that have international experience and are interested in building overseas work into a significant part of their practices
4. Firms with international experience in one or more regions that are looking for an introduction to the issues they will face in new countries or regions

5. International firms looking to the experience and advice of other firms to strengthen their international practices
6. Firms looking for an introduction to issues they should be considering on specific international practice issues: planning an expansion into an international market, setting up and staffing an overseas office, managing an international practice, dealing with the relevant financial and risk considerations, etc.

Of course, this book is not a comprehensive analysis of the issues facing design professionals in each country around the globe. Instead, with the help of experienced principals from dozens of firms, this book introduces interested professionals to the major issues most firms face in the international markets for design services.

The book is organized into ten chapters and two appendices:

1. An introduction that includes an historical overview of the growth of international practice as well as an overview of the common reasons firms consider or reject pursuing international work. It provides an introduction to the issues that should be considered prior to seeking work outside of North America.
2. Chapter 2 discusses planning to enter an international market as well as case studies of how firms started.
3. Chapter 3 introduces the opportunities for work in the major markets around the world. This long chapter is divided into fourteen sections:

- Canada
- Mexico and Central America
- South America
- The Caribbean
- China
- East Asia
- Southeast Asia
- South Asia
- Australia, New Zealand, and the Pacific Islands
- The Middle East and North Africa
- Sub-Saharan Africa
- Russia and the Former Soviet Republics
- Central and Eastern Europe
- Western Europe

4. Chapter 4 discusses typical legal, licensing, and contract issues.
5. Chapter 5 covers common financial and insurance issues.
6. Chapter 6 covers common governance, management, and quality issues.

7. Chapter 7 discusses staffing and human resource issues.
8. Chapter 8 discusses the technology issues commonly faced in international practice as well as the IT and communications platforms typically required to operate efficiently.
9. Chapter 9 includes some cautionary case studies because many international opportunities come with significant risks.
10. Chapter 10 speculates briefly on the future of international practice.
11. The appendices include the American Institute of Architecture's (AIA) Standard Form of Agreement B161 and the Foreign Corrupt Practices Act.

Although the majority of the fee volume earned on projects overseas is earned by the larger firms, many smaller firms are actively engaged in international projects. According to *The Business of Architecture 2018*, 25 percent of all firms and almost 50 percent of the firms with over fifty employees had or were pursuing international projects (AIA 2018). Other than the largest firms, few firms are actively working in more than two or three countries at a time, and most of us who work internationally have experienced how quickly conditions can change. Thus, this book is intended as both a guide for firms contemplating international work as well as a current overview of the international markets—as of 2020.

I wrote an earlier book on this topic, *International Practice for Architects*, but this book not only updates all of the previous material but also focuses much more on the issue of managing an international practice. Some of the material in this book will, undoubtedly, be made obsolete by the rapid changes that are occurring in the world, but much of the material is as relevant today as it was at the beginning of my career fifty years ago. Firms contemplating international work or expansion into new countries should find guidelines—many of which have been provided by the leaders of other experienced firms as noted above—that are a useful starting point for the planning and management of their international practice.

Over one hundred years ago, when my grandfather's firm, Perkins Fellows & Hamilton, designed the original campuses of two universities in China—Shandong University (Cheeloo University at that time) and Nanjing University—the required travel was a commitment of months. Years later, when I was growing up in the 1950s, I remember going with my father to the airport because it was a special event; he was flying to Germany to start Perkins + Will's first international project—a school for the children of U.S. Army personnel in Frankfurt, Germany. Except for the architectural divisions of large engineering and design-build organizations, international practice was not a major part of most firms' practice at that time. Today, my children and the children of hundreds of my contemporaries find nothing extraordinary about their parents taking another flight to another foreign project.

In the 1960s, the rapid expansion of international air travel, as well as many other factors, began to change design professionals' view of international practice. A growing number of firms—such as The Architects Collaborative, which was retained to plan and design a new technical university in Baghdad—began seeking and receiving major commissions from clients other than the U.S. government and North American corporations with operations overseas.



FIGURE 1.1 Nanjing University, Nanjing, China. Perkins, Fellows & Hamilton 1917. Courtesy of Bradford Perkins.

It was the great U.S. recession, as well as the Organization of Petroleum Exporting Countries (OPEC)–related shift of wealth, in the mid-1970s that permanently changed things for the architectural profession in North America. During those years many sought international work because of a sharp drop-off in domestic commissions (particularly in such major centers as New York City) and the availability of huge new commissions in countries with limited domestic architectural resources. In that period, many firms made major commitments to international practice, and large numbers of my contemporaries got a taste for both the rewards and the strains of working overseas.

The OPEC countries became a less important part of international practice when Europe, Hong Kong, Japan, and other countries opened up to North American architects in the 1980s and Iran, which under the Shah was a major market, shut down. In addition, North American clients, such as Olympia & York, Disney, and IBM, as well as international clients imported many firms for their expertise in those most American of building types: high-rise office buildings, shopping centers, mixed-use development, and corporate interiors. The draw of major projects in such glamorous places as London, Paris, and Madrid was irresistible, and many firms even committed to permanent offices overseas.

When the real estate boom of the 1980s hit the wall at the end of the decade, a large number of firms had developed the skills, organization, and need to continue to seek work overseas. Just as the European and Japanese firms finally caught up with us in our traditional areas of expertise, a new real estate boom took off in Asia.

The Asian boom—and the steep North American recession that lasted into the early 1990s—drew more firms overseas, this time to the overheated economies of Indonesia, Thailand, Korea, Taiwan, Malaysia, Singapore, and the emerging giant, China. North American

firms continued to work in the Middle East and, if a firm had a local office, marketable design reputation, or specific expertise, in Europe. A reduction in barriers to foreign design firms also opened markets in South America, Eastern Europe, and Russia.

Many of these markets crashed in the mid-1990s, just as the U.S. economy was recovering. Some firms reduced their commitments to work overseas; but the majority of the large firms, as well as many smaller firms, now regarded international practice as a basic part of their strategies for their firms' futures.

At the time this book was written, North American firms are engaged in projects in dozens of countries around the world. China is still, for many firms, the hottest market, until their own domestic design capabilities grow to meet the demand; but the Gulf countries and several other regions have also continued to be big markets. Hundreds of firms now work in these as well as dozens of other countries and regions around the world.

The Engineering News-Record (ENR) annual *Top 500 Design Firms Sourcebook* records the steady increase in international practice (Tulacz 2019). The 1965 version does not refer to international work even though many firms had started to work outside the United States and Canada. The 1975 issue, on the other hand, noted the rising importance of international work, particularly the emerging market in the Middle East. Reported projects there tripled from 1972 to 1974. Central and South America, in the 1970s, still accounted for the largest number of projects, followed by Africa and a growing number in Indonesia. By 1985 the top 500 had over \$1 billion in foreign billings and almost half of that came from the Middle East. Overall, 210 of the 500 firms were working abroad—89 of which had projects in Saudi Arabia. By 1995 Europe, which had been a busy market, was now according to some “a very mature market,” and Asia had become “the top attraction for international design firms.”

By 2005 over 20 percent (almost \$11 billion) of the revenue of the ENR Top 500 Design Firms came from international assignments. Even taking out the huge international design revenues of the larger engineer-architect-contractor firms, such as AECOM, Jacobs, or Fluor, it is clear that overseas work has become a permanent and important part of many firms' practices. This is particularly true for the largest architectural firms. Most of the largest architect, architect-engineer, or architect-planner firms on the list derived a significant percentage of their revenue from international projects, many of which were managed out of overseas offices as illustrated in Table 1.1.

The great recession, which began in Fall 2008, accelerated interest in international work. ENR's survey of the Top 500 firms in 2019 reported that as a group total design revenue in 2018 topped \$101 billion—up 7.7 percent from the previous year (ENR 2019, 54). Although the majority of the revenues were generated from power, water, transportation, and other infrastructure projects, over \$25 billion was for buildings (55). Moreover, North American design firms of all types were working in over 125 countries in 2018.

As architectural firms got busier after the recession, some pulled back. Overall the AIA survey reported that the number of firms doing or pursuing work trended down from 31 percent to 25 percent from 2015 to 2017 (down from 77 percent to 49 percent for firms with more than fifty employees) (AIA 2018, 37). These figures, however, were up sharply from the 2006

TABLE 1.1 International Practice at ENR's Top 20 "Pure" Designers

Firm	2018 Revenues (Millions US \$)	International Revenues (Millions US \$)	% International	% General Building	International Offices
Gensler	1354	226	17	93	Bangalore, Bangkok, Bogota, China (3 offices), Mexico City, Munich, San Jose, São Paulo, Singapore, Sydney, Tokyo, Toronto, UAE (2 locations), United Kingdom (2 locations)
Perkins + Will	808	247	18	94	Canada, São Paulo, Shanghai, Copenhagen, Dubai, London
Stantec Inc.*	1724	0**	0	26	Australia, Ethiopia, Germany, New Zealand, Slovakia, Turkey, UAE, United Kingdom
HDR*	2192	195	9	20	Australia (3 locations), Canada (10 locations), China (2 locations), Germany (6 offices), UAE, Qatar, Saudi Arabia
HOK	485	119	25	88	Beijing, Dubai, Hong Kong, London, Mumbai, Shanghai, Canada (3 locations)
HKS	400	45	11	98	Dubai, London, Mexico City, New Delhi, Shanghai, Singapore
Arcadis North America/CallisonRTKL	1389	247	18	27	Abu Dhabi, Berlin, Dubai, Hong Kong, Germany, Manila, Mexico City, Shanghai, United Kingdom
SOM	366	161	44	86	London, Hong Kong, Shanghai, Mumbai, Dubai

TABLE 1.1 (Continued)

Firm	2018 Revenues (Millions US \$)	International Revenues (Millions US \$)	% International	% General Building	International Offices
IBI Group Inc.*	352	246	70	70	Canada (14 offices), Hong Kong, Athens, India (5 locations), Ireland, India, Mexico, Saudi Arabia, Trinidad and Tobago, UAE, United Kingdom (8 locations)
SmithGroup	272	10	4	100	Shanghai
DLR Group	262	4	2	100	Dubai, Nairobi, Shanghai
Perkins Eastman	261	63	24	100	Dubai, Guayaquil, Mumbai, Shanghai, Toronto
Cannon Design	233	13	6	100	Mumbai, Pune, Toronto

* Numbers distorted by large engineering and non-building revenues

** International architectural revenuesSource: ENR, "The Top 500," April–May 2019; General Building "Top 20" (Tulacz 2019). Engineering firms deleted. EA rankings adjusted to make comparable to traditional architectural practices.

survey when 12 percent of the overall respondents were involved with international work and 24 percent of the firms with twenty to ninety-nine employees.

As this book was being written, the busy North American market had made work overseas temporarily less essential. Nevertheless, the volume and breadth of international practice continues to grow.

WHY FIRMS PURSUE OR CHOOSE TO AVOID INTERNATIONAL PRACTICE

International practice sounds glamorous and fun, but is it something that your firm should consider? As noted, the cyclical nature of the North American economy was one of the factors that stimulated international practice at many firms. A growing number have used overseas work to balance periodic declines in domestic workload. This, however, is a rationale that is typically used after a firm has already committed to pursuing international work. Few firms

have been able to anticipate the periodic North American recessions, and even fewer have been able to shift their practice from domestic to international on short notice.

Sidebar

Common Reasons to Start Working Internationally

1. Strong personal interest
2. Influential foreign friend or business associate
3. Introductions from friends and family
4. Clients who take you overseas
5. International clients seeking expertise
6. Foreign design firms seeking expertise
7. Targets of opportunity
8. A planned effort

How Firms Start

Although a balance of domestic and international work can be a valid long-term rationale for pursuing an international practice, most firms begin their involvement overseas for other reasons. Eight of the most common reasons are the following:

1. **A strong personal interest:** Most firms are a direct reflection of the personal interests and capabilities of the senior principals. If one of those interests is international work, it can be a valid basis for pursuing work overseas. Because of this interest, one or all of the principals may have developed a network of relationships overseas that eventually leads to project opportunities. In my own case, an undergraduate degree in Latin American studies led to a lifelong interest in the region as well as several of my first international projects.
2. **An influential foreign friend or business associate:** Many of us have been drawn overseas by an individual who claimed to have access to international projects, and most of us have found that this is not always true. Unfortunately, most of us have stories about con men who convinced us to fund unproductive business development efforts overseas. As I describe in later chapters, however, this approach is valid often enough to be one of the major starting points for many firms' international practice. Nevertheless, learning to judge who can, and who cannot, really help you get work in a country is an essential and hard-to-learn international practice skill.

3. **Introductions from friends and family:** Many North American architects or their firms' employees are foreign born and educated, or they have friends and family overseas. Many of the first projects may start with requests for assistance on or introductions to overseas opportunities from these relationships.
4. **A client who takes you international:** All firms owe a good part of their success to a few clients who give them the projects that become the foundation of their practice. This is true for international practice as well. Many firms have been taken overseas by clients (including the U.S. government) who they met and worked for in North America.
5. **International clients seeking specific expertise:** Some firms establish a reputation that attracts international interest. In some cases, it is a reputation for design innovation and creativity; but in most cases it is a demonstrated track record in a building type or service that is perceived as relevant and needed by international clients.
6. **Foreign design firms seeking expertise:** In this increasingly global world, overseas design firms also seek out U.S. and Canadian firms that have the experience needed for their projects.
7. **Targets of opportunity:** Many firms' first overseas opportunities happen by chance. A principal meets someone at a conference, a college classmate makes an introduction, and so forth, and it eventually leads to a first project.
8. **A planned effort:** Possibly the least-followed start to an international practice—but the one strongly recommended in this book—is a plan. Some firms plan the effort that leads to their first project.

International practice, however, should not be justified by the cliché used by some mountain climbers to justify their dangerous sport, “because it is there.” Overseas work can be expensive, disruptive, and a serious distraction. Some firms have even destroyed their domestic practice by diverting too much energy and too many resources to foreign work. The Architects Collaborative (TAC) of Cambridge, Massachusetts (and my first architectural employer), is just one of the more prominent examples. TAC, once one of the country's leading firms, had many problems in its later years; but its heavy commitment in the Middle East left it over-extended when Saddam Hussein's invasion of Kuwait brought a sudden halt to several large projects. Chapter 9 includes a summary of this cautionary tale.

REASONS TO HAVE AN INTERNATIONAL PRACTICE

Because international practice is inherently riskier, why do it? Interest in foreign culture, a desire to travel, and other personal motivations can be valid justifications; but there are some typical business justifications as well. Among the most often cited are the following:

1. **Growth:** Some firms are committed to growth; they see it as a way to keep the firm challenging and profitable for the principals and staff. At some point in the development of these firms, a number of the better growth opportunities were outside of North America.
2. **A hedge against North American economic cycles:** As noted earlier, an interest in international work has often been stimulated by an economic downturn in the United States. Few firms can shift from domestic to international work on short notice; but with planning, overseas work can be a healthy way to balance changes in domestic workload. In addition, if one takes a long view, some projections suggest that the majority of the world's design and construction activities will shift from the developed to the developing countries over the next two decades.
3. **A new market for a specialized capability:** Some of us have specialized practices, and we are always on the lookout for clients who need that expertise. SOM and KPF are just two of the firms whose commitment to high-rise office and mixed-use design makes it logical that they pursue opportunities overseas where many of the most challenging high-rise projects are being planned. In the 2019 ENR Top 500 survey, 44 percent of SOM's and 85 percent of KPF's 2018 revenues came from international work.
4. **Creation of an interesting practice:** I used to refer to our initial international projects as "yeast"—they helped make the dough (our practice) rise. This might be a clumsy metaphor, but creating a challenging and interesting practice is a valid objective. Interesting practices attract better staff, media attention, and clients. As the CEO of a large firm once explained to me: "The prospect of overseas travel and international work could and should be a recruiting and retention assist—especially since so many of our staff in the future will be immigrants or their children—many of whom will retain ties to their country of origin."
5. **Building credibility for future domestic opportunities:** Some firms find that they can get projects overseas that enhance their ability to get similar work back home. Because international clients are often not as focused on demonstrated expertise in a particular project type, it is often possible to get projects that can be used to convince a more focused North American client that you are qualified to design their project.
6. **The scope and challenge:** The scope and challenge of some overseas projects is unmatched domestically. For those who find the opportunity to design multimillion-square-foot, mixed-use developments, entire new university campuses, and new cities exciting, most of these opportunities are overseas.
7. **Profit:** Some international work can be extremely profitable. There is no reliable data source on this but anecdotal reports support the view that international practice has the same mix of winners and losers as in domestic practice.
8. **Mission:** Some of us believe in the old-time religion—that our design expertise can change people's lives for the better. In our case, our professional commitment to the belief that the physical environment plays a part in the health and health care as well as the housing of the frail elderly has helped support our involvement overseas. We—and

many other firms—believe we can make a meaningful difference in people’s lives, and that alone justifies the effort to work overseas.

9. **Globalization:** National boundaries are becoming less relevant each year. Firms are not only working internationally but also using international resources to carry out the work. Each year more firms are outsourcing drafting, rendering, and other tasks to the highly talented, low-cost resources developing in countries like India, China, and the Philippines. Gensler opened a Costa Rica office in large part to provide support for its U.S. office and our firm has an office in Ecuador for similar reasons.
10. **International clients for U.S. projects:** In recent decades, many firms have international clients who want their North American architects to help them with their entry into the United States and Canada. In our case, several recent major commissions came from important international clients who wanted to build in the United States. China Overseas America, the development arm of China Construction, retained us for an eighty-story residential tower on the Hudson River waterfront in part because they had used us for five successful towers in Sichuan. The Turkish government short-listed and then hired us for the Turkevi Center—the Turkish Mission to the United Nations—in part because of our work in Turkey.



FIGURE 1.2 99 Hudson Street, Jersey City, New Jersey, United States of America. Perkins Eastman. Photograph by Andrew Ruge/Perkins Eastman.



FIGURE 1.3 Turkevi Center, Turkish Mission to the United Nations, New York City, New York, United States of America. Perkins Eastman. Courtesy of Perkins Eastman.

Sidebar

Reasons to Have an International Practice

1. Growth
2. Hedge against domestic downturns
3. New markets for specialized expertise
4. Creation of an interesting practice
5. Building credibility for future domestic opportunities
6. Scope and challenge
7. Profit
8. Mission
9. Globalization
10. International clients for U.S. projects

Reasons to Be Cautious

All of these are valid reasons to pursue work outside of the United States, but these rationales should be balanced by a clear understanding of the risks. International practice is far more difficult and risky than working near home. The AIA *Architect's Handbook of Professional Practice* explains some of the issues: “Differences in language, privacy, trust, and accessibility all make the foreign design project quite different from the U.S. project, and all can have negative impacts that at times appear insurmountable” (Williams and Meyer 2001, 100). The same is just as true today. There can be good reasons to pursue work overseas, but one should do so with eyes open to these risks. In addition, the economic, political, and social volatility of many countries means that conditions can change rapidly. Among the most frequently cited concerns, however, are the following:

Sidebar

Reasons to Be Cautious in Pursuing Work Overseas

1. Drain on senior resources
2. Financial risk
3. Impact on domestic clients
4. Lack of legal recourse
5. Physical risk
6. Professional compromises
7. Lack of recognition
8. Challenges to integrity
9. Limited control
10. Currency and tax surprises

1. **Drain on senior resources:** Most international practices are built on the efforts of the firms' most senior personnel. The AIA Handbook chapter on this subject correctly states that “working with clients abroad will demand more time than most architects expect, so be prepared. . . People [in many foreign countries] spend more time with each other and can be quite offended by the American ‘gotta go’ working methods” (Williams and Meyer 2001, 106). During the peak years when I was building our practice in China, I spent as many as one hundred days per year there. Not only did that leave me slightly vague about what time zone I was in, but it also meant I was often unavailable for important presentations, meetings, and decisions back home.

One should be realistic about these issues and not commit to more than is good for both your own health and the health of your firm. As one of my friends noted, he knew he was traveling too much when on his return from a trip, he went to the movies with his family and tried to find the seatbelt after he sat down.

2. **Financial risk:** Many of the first international efforts are very expensive. It is not uncommon for firms to find they have invested hundreds of thousands of dollars before they get their first project. Even after the work begins to flow, the risk of substantial loss is at least equal to the potential for profit. Chapter 9 includes several stories that illustrate this point.
3. **Impact on domestic clients:** At first, some domestic clients are impressed and supportive. Over time, however, their tolerance erodes when you are not available for key meetings. The rapid improvement in international communications has reduced this problem, but I have had many overseas trips cut short by the need to be back in the United States to deal face to face with an important client. This is in addition to the phone calls I am expected to take at two in the morning when I am in China or India.
4. **Lack of legal recourse:** In most foreign countries, if a client does not pay, the only recourse is to stop work. Therefore, if your payments do not cover the work to date, the normal options—liens, legal action, etc.—are not available. Almost every firm working internationally has stories that reinforce the basic advice: “Do not let them get ahead of you!” As almost every firm will acknowledge, however; that it is easier said than done.
5. **Physical risk:** Many countries are as safe as the United States and Canada, but many are not. I stopped going to Lebanon in the 1970s, where I was working on a plan for the American University of Beirut, when the dean of the architectural school was caught in a crossfire and killed twelve hours after I had dinner with him in his home in East Beirut. In some countries the risks are more likely to be the food and water, but physical risk should be a consideration—particularly for people with young children. Unfortunately, the list of countries that pose real physical risk is not getting shorter.
6. **Professional compromises:** Getting a project built that is consistent with the original design intent is even harder in most overseas locations than it is in the United States. Very few countries have the commitment to quality seen in Japan and some European countries. In too many cases, the design drawings done in North America are just a general guideline—not an enforceable description of design intent and construction quality.
7. **Lack of recognition:** If a tree falls in a forest and no one is there to hear it, does it make a sound? Many firms active in the Middle East during the 1970s complained that their years of effort resulted in projects no one ever saw or acknowledged. The same is true today in many more regions around the world.
8. **Challenges to integrity:** It is rare for any firm working overseas not to come up against some moral—and sometimes legal—choices. The Arab states’ enforcement of

a boycott of Israel was one such issue in the past, but the more common problem both then and now are situations where payments are expected that look too much like bribes or kickbacks. Some of these are governed by the Foreign Corrupt Practices Act (see Appendix B), but many fall into a gray zone. For example, is a payment to an agent a payment for professional advice, or is it a payment to influence a potential client to hire you? For those who do not want to be faced with frequent moral and ethical judgments, avoid international practice in many parts of the world.

9. **Limited control:** Many international practices require the commitment of staff to overseas offices. Managing domestic branch offices is a difficult task, but managing offices in a foreign country is even harder. Firms really have to trust the managers of their foreign offices and projects because detailed oversight is usually impossible.
10. **Currency and tax surprises:** Most firms with international practices have experienced sudden currency devaluations, inability to convert local currency, and/or unexpected taxes. All can be very unpleasant and expensive surprises.

If, on balance, these risks do not outweigh the positives, the effort to build an international practice can be a worthwhile investment in a firm's future.

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