

---

# ***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

- Planning/Design/  
Bid/Build
- Fast-track
- Multiple Primes
- Design/Build
- Turnkey
- BOT
- Super Turnkey

BTO

BOOT

DBMO

Wraparound Addition

LDO

BOO

BBO

Operate and Maintain

---

# 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**

MIT OpenCourseWare  
<http://ocw.mit.edu>

1.463J The Impact of Globalization on the Built Environment  
Fall 2009

For information about citing these materials or our Terms of Use, visit: <http://ocw.mit.edu/terms>.