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PARTNERSHIPS

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the Top—**
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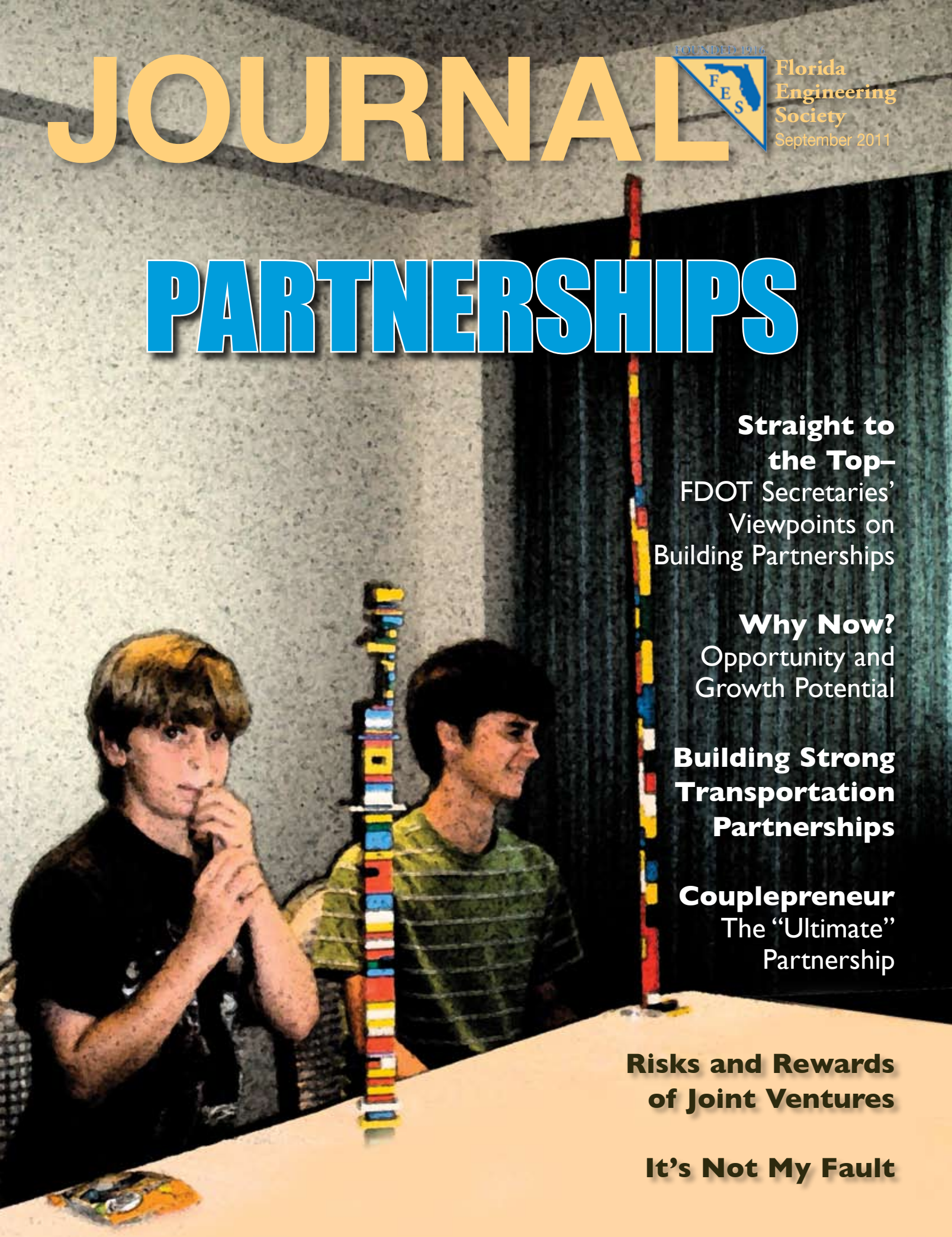
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Why Now?

Opportunity and Growth Potential

Completed Main Span of the New Vai Town Bridge,
Monrovia, Liberia.

By R. Craig Finley Jr., PE, Finley Engineering Group Inc.

Over the past several months, I've been asked by many Florida engineering companies about Finley Engineering Group's experience working internationally, and if we are going to continue to pursue projects overseas. I suspect that this is because the downturn in the U.S. market is not creating enough new project opportunities for all the firms looking for work. As a result, firms struggling to win new projects will need to look elsewhere to keep their staffs busy and remain profitable.

Expansion into new international markets may be a good step for some; but is not the answer for everyone. To be successful internationally it takes a certain skill set, a much different approach to business, a fascination with adventure and a sense of how your organization must change to work across several time zones with different languages and cultures.

My Perspective/Experience

I've been working overseas, as a bridge and construction engineer, for over 20 years. During that time, we have done about 75 bridge projects in Canada, Mexico, Central and South America, Australia, New Zealand, Asia, Africa and the Middle East. Currently, we're working on projects in Central America, South America, Africa and the Middle East. Historically, we have only pursued concrete segmental bridges; however, we now are adding steel and

composite bridges to our portfolio. Our international client base has run the gamut, too—from local designers and contractors to large international companies. We've also followed a certain set of internal rules and procedures when it comes to overseas work, and have never had a bad experience. We've been fortunate to have formed personal relationships with several good clients, whom we now consider friends. We have developed strong brand recognition and a broad following in several international markets. We have always been paid and made a profit on our international projects. Our overseas work typically accounts for 20%–33% of our annual volume.

Go/No Go

At FINLEY, we use a simple approach to our business—"we want to have fun, do something we can be proud of, make a little money and return home safely

to our families at the end of the day." I believe that this approach is critically important when considering overseas work and deciding which projects to pursue. If you can't answer, in very simple fashion, how you and your company will "have some fun, make some money, do something good and get out safely," you probably are not ready to pursue overseas opportunities. If you think you're ready, and can pass this test, I encourage you to take the next step.

What to Expect— It's a Different Game American Football vs. World Cup Soccer

Everywhere in the world, people play football. However, the game that the rest of the world considers 'football' is known as soccer in the U.S. This distinction is a good analogy for how U.S. firms should approach working

overseas. It is absolutely critical to understand the “local” game, rules, players, and strategies for winning. Never bring an American football to an international soccer game.



Completed Road 431, Israel.
Photo courtesy of SIVAN.

Travel, Culture and Language

When deciding where to look for international work, remember that travel to an overseas destination is always by air, is expensive and often results in jet lag. Flights should have more flexibility and you must leave more down time for schedule changes and rest than you would for domestic travel. Commit to accomplishing your goal, even if you must stay a few days longer than you expected.

Your hotel selection says a lot about you, and in many cases is the first impression you make on your prospective client. Don't go too elaborate, but on the other hand, don't be too frugal. Make sure the hotel is recognized as a business hotel rather than one that caters to tourists. Make sure the hotel has a good concierge that will help with local details such as transportation, restaurants, interpreters, and so on. It is vitally important that you upgrade your cell phone and laptop with international capabilities before you travel. This will help with communication to your U.S. office, as well as enable your cell phone access in the country where you are traveling. International calls and transfers of large data files online can be very expensive.

Visit the Web to find some information on local customs and culture. This will help you understand what is considered good manners at your destination. If you know someone from the country or with experience there, ask him or her for suggestions and discuss what you are thinking about doing. Learning a few words in the local language “hello,” “thank you,”

and other simple, but commonly used phrases will go a very long way. In most cases, initial meetings are very formal and you must be prepared for detailed introductions. Always be polite, well-mannered, courteous, and patient. Prepare thoroughly for your meetings with materials or brochures to share, and distribute business cards with a smile.

If you can't speak the language very well, bring an interpreter. Make sure the people you're meeting understand you have an interpreter, and do not let the interpreter become involved with more than translating the discussions or offering opinions before clearing it with you. In most cases, someone in an international organization can speak English. When it comes to more complicated or detailed negotiations, it is best to have someone on your side with expertise in the local language and business environment.



Benyamina Bridge, Israel.
Photo courtesy of SIVAN

What Sells—Niche and High-Tech

I have found that clients overseas are looking for specialty engineering services they may not have in their own country. The “one-stop-shop” type firm doesn't do as well because they often end up competing against a local firm with

similar skills that may be as good as or better than the U.S. firm. The higher the international community perceives your firm to be in terms of technology and experience, the better your chances of success. One similarity in U.S. and overseas markets is that people like to work locally and with friends if they can get the service they need. The next best situation is to work with a friend who has an international expert on board. Understand this going in, and always look for a “local partner” that could share projects with you.

Doing Business—U.S. Law

Before you consider working overseas, you must understand how U.S. law affects your business practices, no matter where you are. You must be familiar with the *Foreign Corrupt Practices Act of 1977* (FCPA-77) and understand that it applies to making illegal payments that are considered bribes to obtain influence with foreign officials, either directly or indirectly. This law does not apply to people from other countries. In many countries, payment for influence or consideration for contracts is common practice and often necessary to enter an overseas market; however, it is illegal under U.S. law. Don't take this lightly, because the penalties are severe. On a similar note, understand local tax laws. Typically, FINLEY requires, by contract, that our clients pay all local taxes and fees due to the local jurisdiction. Again, compliance with U.S. tax law is mandatory. We have never used “offshore” companies or accounts for reducing our U.S. tax burden; we bring the money home and pay our taxes.

As a U.S. company, you'll need to decide the level of involvement you will seek from the U.S. embassy. For security reasons, we typically let the embassy know when we're in the country and provide our local contact information. If it's a new market, we may contact the U.S. embassy's commercial attaché to

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About the Author:



R. Craig Finley Jr., PE is the Managing Principal of FINLEY Engineering Group Inc. (FINLEY). Craig has 32 years as a consulting engineer, involved in the design, management, construction engineering and inspection of a wide range of complex steel, prestressed concrete, cable-stayed, suspension and moveable bridges with spans from 40 to over 5,000 feet. He has had extensive experience in directing the design, construction engineering and management of over 75 bridges in Canada, Mexico, Central and South America, Australia, New Zealand, Asia, Africa, the Middle East and the United States. Craig is actively involved in numerous engineering trade associations including Florida Engineering Society, Florida Institute Consulting Engineers, American Segmental Bridge Institute, National Steel Bridge Alliance, American Society of Civil Engineers and federation internationale du beton.

solicit insight or additional information we may be lacking. Do not expect very much commercial help; in fact, you will probably get little to none.

Can You Compete— Expertise, Technology, Experience and/or Price

FINLEY has found that its bridge expertise and experience is easily transportable and of value to most overseas developing markets. One of our strengths is the highly sophisticated software we use and our ability to send our work product via the internet. To an even greater extent than for domestic projects, the internet provides an excellent portal for holding video conferences and meetings during which design and details can be discussed. It makes the work and communication “real time,” even when the client and project are thousands of miles away. Also, since every meeting doesn’t have to be held in the country, you save time and travel costs.

We have never priced our services as a “low-cost” provider and our fees always remain at U.S. prices or higher. FINLEY’s technology advantage has enabled us to compete successfully against Third-World labor. With this said, we avoid pursuing projects seeking commodity, low-cost services that can be done easily with low-cost labor.

Local Partners, Agents and Advisors

If you want to do several projects in an overseas market, you need a good local engineering or contractor partner. This allows for better acceptance from the local government, results in better contacts and market penetration, and provides a continuing opportunity for both the local partner and the U.S. firm. We have found that our working relationships with these local engineers and contractors helps us gain better efficiency and quality, and reduces marketing costs for future projects. This should absolutely be one of the first steps for any company wanting to work overseas.

We like to have a local attorney and tax advisor lined up should a situation warrant their expertise. We’ve worked in the Middle East for over 20 years and found a local attorney advantageous for many things. Typically, we try to avoid being subject to local taxes and use a local tax advisor to make sure our contracts comply with local laws. Again, it’s FINLEY’s approach to take

no unknown risk with local laws or requirements.

Local agents are another sensitive issue, and one where you’ll find many differing opinions. The first thing to understand is the agent’s arrangements must be consistent with the requirements of FCPA-77. In the past, this has been one of my biggest areas of concern, enough so that we have walked away from several potential opportunities because of it. As a practice, FINLEY tries to minimize the hiring of agents and prefers to leave this to our local partners.

Contracts, Payments and Currency

We always try to use an international standard contract like *Client/Consultant Model Services Agreement*, third edition 1998, published by FIDIC (fidic.org/bookshop). We’ve found its terms and conditions to be fair, that it addresses the relevant topics, is accepted by our professional liability insurance carrier and internationally. We always require a clause dictating mediation or arbitration in a neutral venue, stipulate that the official contract language be English, include a “no pay/no work” clause, limit our liability to fee paid or PLI coverage, and require a mobilization payment of 20% of the contract amount before the work starts.

We normally invoice monthly on a progress-payment basis, with payments due by wire transfer within 15–30 days. If we’re not paid within 60 days, we stop work until brought current and tighten the terms. In 20 years, we’ve always been paid and have never written off accounts receivable as uncollectible. The three keys to being timely paid for our work are making our expectations well understood during the project development/contract negotiations, requiring the mobilization payment, and staying on top of collections.

In the past and before the Euro, we experimented with accepting different currencies. In the last 10 years and with the creation of the Euro, this hasn’t been as common. Typically, we price our fees in U.S. dollars. With the exchange rate history between the dollar and the Euro, this has given us some price advantages.

Lessons Learned

The following lessons have been fundamental to the firm’s overseas successes, and are relevant to a firm wanting to work overseas for the first time.



Temporary support for Cantilever Construction Section 18, Israel.

A New, Exciting, Challenging and Profitable Business Opportunity

You must approach overseas work as an exciting business opportunity that can add new markets. If you don’t, you won’t last long or have positive results.

Market Long Term – Invest Short Term

Over the years, we’ve seen many companies try to enter overseas markets without a clear plan of what they can offer, which projects might require their special skills or expertise, and how much time and resources they are prepared to invest. Successful companies market to their special skill sets and expertise, which will lead to long-term opportunities. We have always been realistic about what we’re willing to spend to get contracts that might begin to repay our investment in obtaining overseas work. This approach is no different than what you would use in the U.S., but occurs in a different way and typically involves more time and greater cost.

Must Be a Win-Win Approach with Locals

If you want to have a long-term presence in an international locale, you must find a good local engineering or contractor partner and share the projects fairly with them. We have always tried to be a bridge engineer that was loyal, dependable and added value to their projects in a way they could not have without us.

Partners and Clients are Key

This is another lesson that applies to work in the U.S. and overseas. We’ve learned you must only work with people you enjoy working with, that you can trust and with whom you can have a successful business relationship. Always remember that a problem overseas will be harder and much more costly to resolve.

Don't Assume Anything is Done the Same Way as in the U.S.

If you must make an assumption, err on the side that things are never the same. There are many reasons things are different overseas—language, culture, environments, regulations and market conditions. Usually, the overseas market has potential, but it is not developed, experienced, regulated or as mature as in the U.S. Overseas clients still require high levels of expertise, experience and professionalism from you.

Don't Compete On Price or Commodity-Based Engineering

If you can't get U.S. fees or better, stay out of the market. You will never be able to compete against low-cost labor, head to head—so don't waste time trying.

Use Technology or Costs Will Get You

Use technology, the internet and your experience to your advantage. High-end computer software and hardware can reduce labor costs. Video conferencing and distribution of work production via the internet improve communication, and save time and money.

Follow the Rules

Understand what is required of American businesses working overseas; if you don't, get advice from someone with the expertise to explain it to you. Pay your taxes and don't violate the FCPA-77 requirements.

Summary

If your firm is looking for new opportunities, working overseas may be an option to explore. If your organization can excel in a new environment and boldly face new challenges, begin to evaluate where your overseas opportunities may lie and determine how best to get there. On the other hand, if your company's culture does not lend itself to this type



End Span Closure Segment completed using form traveler New Vai Town Bridge, Monrovia, Liberia.

of directional change, you may be better off continuing to focus on traditional domestic markets and clients.

If you decide to pursue international work, you should first evaluate what expertise you have to sell, develop a plan and identify countries or cultures where you might have an advantage. Before offering any services, you must clearly understand the laws and tax issues, and find good local partners and advisors. In addition, you must define, in detail, your goals, milestones and the level of investment you are willing to incur. Put your plan into action, prepare to visit the country, make connections and begin to compete. It is best to focus on only a couple of markets at a time so you don't dilute your resources and commitments.

At FINLEY, we have enjoyed working overseas, count on it for a significant amount of our workload and have experienced a lot of success. Moving forward, we are increasing our focus on this area of our practice, as it is a critical part of our strategic plan. If you choose to do the same, best of luck to you, and we hope to see you there. ■

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