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# Cultural understanding the first step to successful offshoring strategy

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WHEN A NOUN BECOMES A VERB, as in “We’re going to offshore this project,” it’s probably prevalent enough to warrant attention. Offshoring can mean different things. It can refer to serving a client and doing a project where both client and project are located outside the United States, and typically outside North America. It can mean serving a U.S. client by undertaking a project that is located outside the country. Or it can refer to U.S. architects aligning with production-oriented firms in other parts of the world such as India, the Philippines or Egypt, where some firms are doing this type of offshoring.

What usually brings a U.S. firm to serve an offshore client with an offshore project is the architect’s expertise in a project type, an internationally recognized design reputation or personal

relationships. The excitement of working in these situations appeals to many despite challenges such as distance, travel, language, culture, building technology, construction methodologies, currency exchange, legalities and political realities.

For others, the length of that list is daunting enough to forego such “opportunities.” There are many stories about the hardships and risks of this kind of offshoring. Some are even humorous, such as the firm that moved its project manager for a Taiwan project to Taipei, and he, being unfamiliar with and distrustful of banking and funds transfer practices, accumulated over \$100,000 in collected fees, which he “deposited” under his mattress. Eventually the money made it home to the firm, but not without a fairly high degree of anxiety on the part of the firm’s CFO.

Another story, less humorous, relates the tale of a project manager who somehow offended a Middle Eastern government and was put under house arrest and forbidden to leave the country. His firm ultimately shipped him home—alive, fortunately—concealed in a shipping crate. Another firm found itself on the verge of bankruptcy when it misunderstood the receipt of its requested retainer as a sign that it could expect timely payments thereafter from the client. It proceeded with a substantial amount of work—about three times the amount of the retainer—only to learn that client had no intention of paying more than it already had.

Working with U.S. clients on their offshore projects has fewer exciting stories, since issues of fee collection and client culture are less of a concern. But there are some exceptions. Consider the U.S. enterprise expanding into Russia through a franchise strategy. Rumors that the Russian franchisee was a member of a Russian organized crime conglomerate gained credibility when, after being a no-show at several client meetings with the U.S. architect, showed up in the morgue of a Polish city, quite possibly a consequence of not fulfilling his financial obligations to another crime syndicate. His death left his U.S. architect in the cold for several hundred thousand dollars.

Many firms, whose near-term workloads exceed their capacities and increase the appeal of less expensive delivery options, are drawn to the third definition of offshoring - employing offshore firms to handle part of the project effort, almost always at the production end. On the surface, most views about such offshoring fall into one of two camps. One camp holds that the potential financial benefits of cheaper, yet highly qualified, labor do not offset such considerations as inadequate design interpretation, language-related and distance-related coordination problems, and loss of learning opportunities for young practitioners. Another issue in this camp is the ethical one of whether production offshoring is appropriate when there may be architects and interns in the U.S. looking for work.

The other camp holds that each of these concerns can be addressed by approaching the offshoring with appropriate planning, staffing and general sensitivity. In fact, more than one firm has established an operating office in an offshore venue, specifically to provide production capacity for its projects.

### The Pitfalls

- Most firms working in any of these types of offshoring have been nervous about errors resulting from conversion to and from the metric system. The combination of knowledgeable practitioners and conversion capabilities of CAD software has made this largely a non-issue.
- A much bigger concern has to do with technical quality when affiliating with other firms and whether that firm will appropriately interpret design intent. This can be a problem even when affiliating with a partner next door,

so let’s not rush to cite offshoring as the culprit. Since many of the firms positioning themselves for production work have, almost by definition, less design intensity and capability, this warrants special attention.

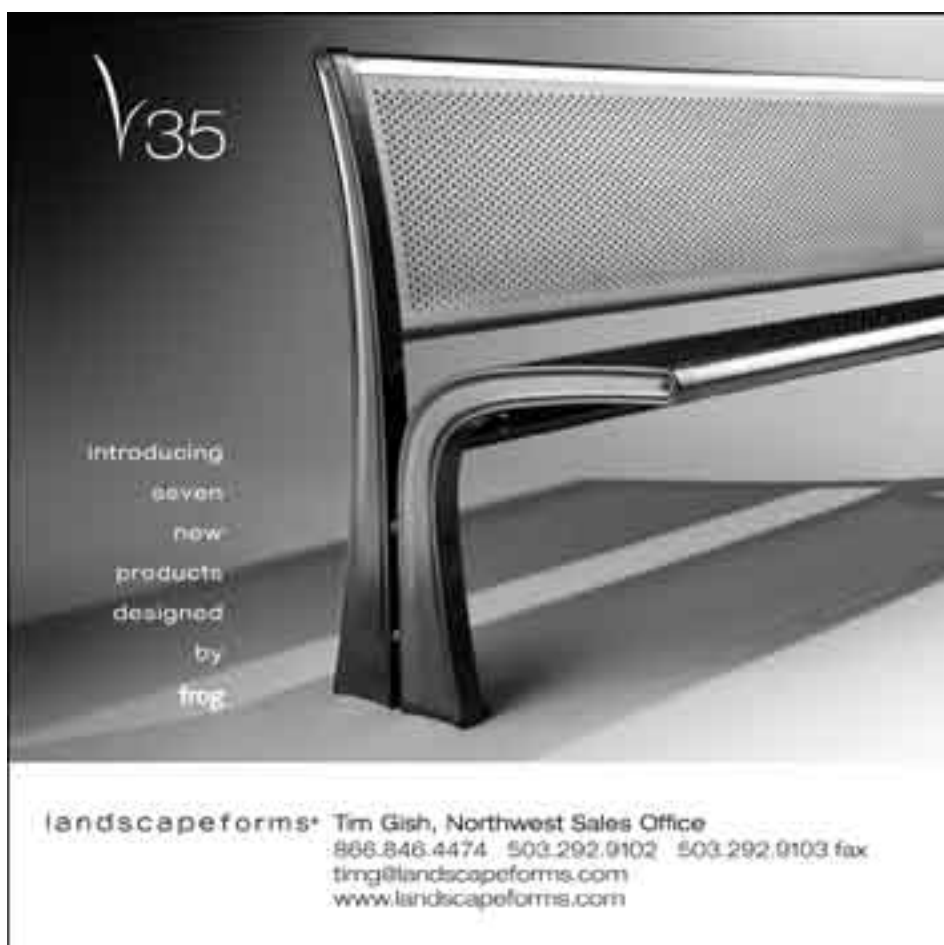
- Firms serving offshore clients have been burned financially. The most dramatic stories involve not being paid, though cost overruns are more common.
- Offshoring can require a disproportionate amount of the firm’s financial and human resources. One large, U.S.-based firm accepts its overhead multiplier of well over 2.00 (compared to an industry average of about 1.50) as a cost of doing work for offshore clients. The reality is that at least half the excess in this case is a consequence of management decisions and style, *not* its mix of offshore work. Nonetheless, overhead costs for travel, communications, marketing and other items needed to sustain an offshore presence can be considerable.
- Burnout is a visible byproduct of the extensive travel associated with working offshore. As an illustration, look at architects returning from a weeklong visit to China, Japan, India or anyplace at least eight time zones away from the individual’s home office.

### Guidelines for Successful Offshoring

This discussion does not intend to address the very small number of true multinational practices that have evolved strategically and operationally to capitalize on a presence in several parts of the world. For the rest of practitioners, particularly those with no offshore offices or only a small number, there are some guidelines worth following.

#### In general...

- Know the people with whom your firm will be working, including clients, affiliating firms and contractors. Have project people in your firm spend time with the people in the affiliating firm’s office who will be doing the work. Not only will this help to understand their capabilities and their technologies, but it will also enhance subsequent project-related communications and collaboration.
- Get people on site. One firm rotates project team members to the office of the affiliating office in



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India so there is *always* someone from the project team in the offshore office.

- Assure that your people who interact with the offshore entity understand their culture to avoid embarrassment or offending others and to strengthen inter-firm rapport. Understanding social norms, political issues, holidays and other cultural aspects indicates a level of caring that will be highly appreciated.

### Technical quality...

- Provide comprehensive documentation at schematic and design development stages. Err on the side of too much and too complete documentation. One U.S. firm, to assure achieving its design intent, produces design development drawings that are so complete a contractor could build from them.
- Develop a cartoon set of drawings to assure that various project matters are appropriately addressed and detailed.
- Make a point of learning from the offshore firm. In particular, the firm's cost estimating and quality control processes might provide valuable insights to bring home.
- Team with a very good firm wherever the relationship with another firm occurs. Don't select initially on the basis of price. Get references and take them seriously. Review work the firm has done for other firms, and talk with the contractors who built from that documentation.
- Align with U.S. consultants who have experience in the offshore environment.

- Spend time with the affiliating firm in their location.
- Work only with a very good contractor on offshore work. They can be local if it's the right one.

### On the people side...

- Help those traveling learn how to handle it effectively to minimize the negative effects of what otherwise can be exhausting. A few tips to minimize jet lag and travel burnout might be helpful:

(1) Recognize that jet lag worsens for many of us when traveling through more than three time zones.

(2) Allow at least a day to acclimate to a new time zone when traveling through more than three zones, particularly if you're not used to it.

(3) Avoid alcohol while flying. Well, okay, *one* beer, glass of wine or whatever beverage you enjoy is acceptable for most people. Alcohol affects the body differently at altitude than at sea level because of the rate of absorption into the bloodstream at altitude and the low humidity in pressurized airplanes.

(4) Drink a lot of water.

(5) Avoid excessive eating. Given airline food quality in general, this shouldn't be too difficult.

(6) When you get on the plane, set your watch to the time zone where the plane will land.

- Share the workload and the travel. While one person in the firm may be particularly interested and successful in offshore work, it doesn't make a whole lot of sense for the burden or satisfaction to involve only one person. It also makes sense to involve others to avoid a situation where all the firm's eggs are in one basket.

- Have people invest the time to learn the language and the culture of the offshore venue.

- Make offshoring part of the firm's strategy by talking about it with people in the firm even if their work doesn't involve it.

### The business and financial side...

- Get paid up front. Don't work beyond what the initial payment covers.
- Understand the process of doing work, and, where relevant, getting

it built in other countries. Recognize that in some places, payoffs are a way of doing business.

- Build into project budgets the time for travel and for travel recovery (overcoming jet lag).
- Price the work on its *value*, not its cost. Doing the latter will come back to haunt you as the cost gap between domestic and offshore work diminishes.

### Final thoughts

Offshoring for production purposes doesn't need to take you halfway around the world. Recent discussions with Mexican architects suggest there are such firms in Mexico, but as with other locations, select firms with whom you affiliate very carefully. Wherever you go and whatever you do involving offshoring, talk to people who have firsthand knowledge. ■

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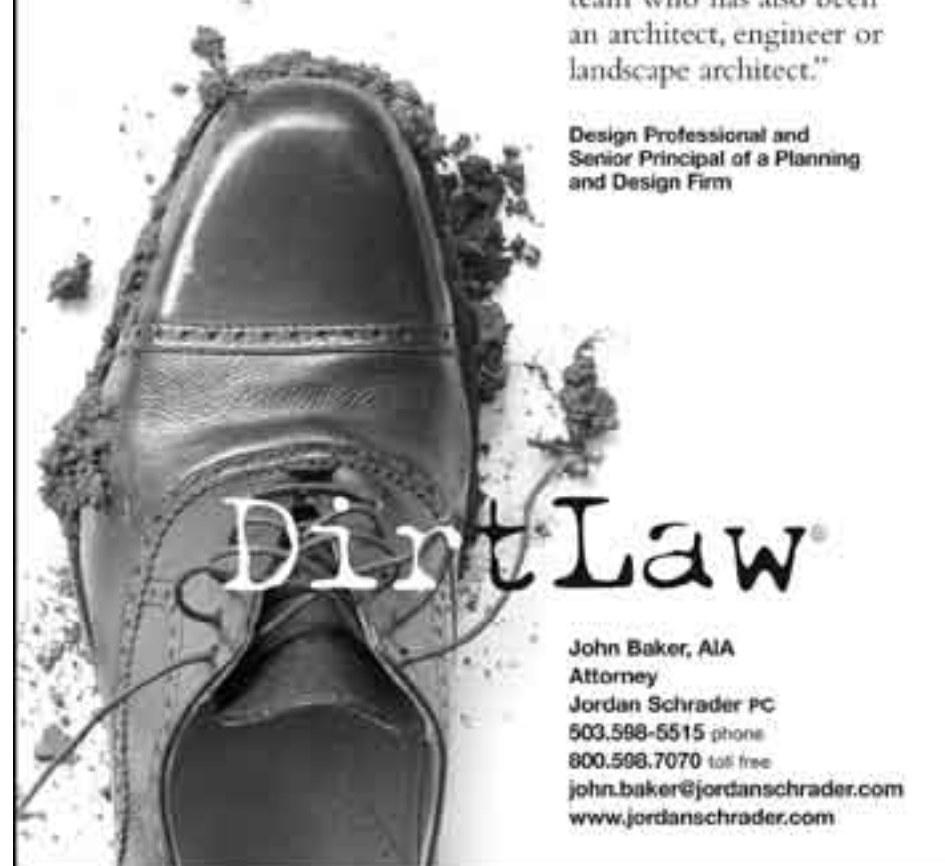
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