

Exporting Architecture Services Overseas

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SUMMARY

The practice of offshoring has increased competitiveness for many U.S. firms. Recent statistics have shown a rise in popularity in the export of architectural services. Firms experienced in this process have developed a few key guidelines that could mitigate initial concerns and problems for those considering offshoring.

TRENDS IN OFFSHORING

By the year 2015, according to estimates prepared by various private study groups, as many as 3 million service industry jobs will move from the United States to foreign settings, taking with them more than \$100 billion in wages. The U.S. Bureau of Labor Statistics in 2003 cited electrical engineering and computer programming as the U.S. disciplines hardest hit by trends toward offshoring and exporting labor. Other sectors are likely to follow suit, analysts suggest, particularly those relying on high degrees of technical literacy and familiarity with information technology.

An early 2004 survey of U.S. architecture firms found that only about 10 percent were sending production work outside of the United States. By mid-year that figure had increased to almost 15 percent and, when asked whether they were considering such steps, almost 50 percent of respondents said they planned to outsource production work to a foreign vendor.

The drive to send lower-value work to lower-wage economies makes sense from the standpoint of reducing production costs. As the practice increases, competitive pressures mount. The first types of tasks sent abroad have tended to be simple and repetitive, involving elements of relatively low tolerance and criticality. But today firms are sending a full range of production tasks—including drawings, renderings, specifications, and models—to places where it is significantly cheaper, and often faster, to get them done.

Global competition for service work is hardly new. Economic theory has long held that more advanced

economies will move toward more valuable—and thus higher paying—work, while less valuable work will migrate to less developed economies with lower production costs. In addition to these more or less natural factors, new and ever-improving communications technologies now allow far distant service sector employees to compete worldwide—and the developing world is improving the quality of work and building specialized expertise.

The industrialized world is now competing both for lower-skilled and higher-skilled work. Work sent abroad is increasing steadily in both complexity and value; offshore call centers and customer service facilities have paved the way for foreign employment in engineering design, accounting, complex programming, tax planning and reporting, financial analysis, and management consulting.

The extent to which such tasks as basic construction documentation and detailing have already been exported—and will likely continue to be outsourced to foreign employers—is evident in the concerns expressed among architects and architecture school faculty about the potential for loss of indigenous, locally-available knowledge and skill.

Some observers speculate that exporting such work to countries where political and economic conditions are volatile, or where relations with the United States are unpredictable, could result in a sudden loss of access to vital services or serious disruption of economic activity.

Proponents of sending technical work abroad suggest that outsourcing leads to more competition, and thus tends to favor lower prices and increased choices; lower production costs reduce overhead and may accelerate completion times, allowing firms to concentrate on core services and focus their resources on research and design, improving processes and products. Some also say that the outsourcing of key production tasks may prove to be a critical factor for the United States as members of the skilled baby-boom generation retire.

The quality and intensity of worldwide competition in services is likely to increase. China and India, the

most populous countries on the planet, will continue to enhance business climates and technological infrastructures, while keeping labor costs below industrialized nations. Dozens of other, less developed economies will also enter the international competitive fray.

As these economies educate scientists, managers, engineers and technologists, they will also develop large numbers of competent entrepreneurs and innovators ready and able to compete on a global scale.

MITIGATING STRATEGIES

In reaction to the loss of domestic skilled employment, and in efforts to enhance the position of U.S. workers, forms of protection have begun to enter the marketplace. These include contract provisions that may favor certain employment practices, or may even require firms to use U.S. employees wherever possible. Typical provisions of this kind may require employers, professionals, and contractors to procure goods and services from domestic U.S. sources only, excluding companies that use offshore labor or materials.

Other approaches offer tax incentives to keep work and jobs onshore, or subsidize the retraining of U.S. employees. Some contracts may require companies to notify clients and customers if overseas contractors or employees can gain access to financial or personal data on U.S. citizens and residents.

“Buy American” requirements for federal procurements are common, and some legislators are seeking to prohibit tax-financed projects from going offshore for goods and services.

Over time, international trade agreements may be expected to include provisions regarding labor and environmental regulations that have the effect of reducing at least some cost advantages of offshore work.

Other nations—among them a number of increasingly able technological competitors, including China and India—are producing significantly greater numbers of scientists, engineers and high-level technicians. Although the United States has managed to attract many highly skilled workers to its shores from these and other countries, non-immigrant work visas for the United States have been curtailed in recent years, as immigration has become an increasingly difficult, lengthy, and expensive proposition.

At the same time, foreign countries are acting to curb the drain on their own industrial and intellectual resources. It is precisely in the domain of competition that U.S. professional bodies have consistently espoused a desire and taken policy steps to see U.S. firms granted fair access to global markets, stressing the benefits of global engagement.

Some federal agencies and private institutions are working to promote export opportunities for U.S. companies, through the World Trade Organization and bilateral agreements. These initiatives may well lead to new markets for U.S. firms, but at the same time—if the principles of equal treatment and fair practice are enforced—a level playing field will also open the door to foreign practitioners seeking to offer professional services in the United States.

As long as price-to-value ratios and speed of completion remain important factors of service, pressures will mount on architecture firms to route basic production tasks to vendors who can deliver on these terms—and many of them will be outside of the United States. That does not diminish the need to ensure that vendors can actually deliver, however, and determining whether they can deliver calls for assessment of past experience and constant review.

SUGGESTIONS FROM EXPERIENCED FIRMS

Firms experienced with offshore outsourcing of production work—sending work overseas, usually to less costly wage environments—offer the following suggestions.

Closely review similar work by the vendor. Find an opportunity to have consultants, contractors, and client representatives participate in such reviews, and ask them to provide comment and guidelines. Speak with others who have used the vendor, and ask them to suggest recommendations and to discuss any problems.

Identify responsible contacts, and meet them in person. You must be in a position to know exactly whom to telephone, e-mail, or fax when issues arise that require immediate or non-routine attention. Personal acquaintances are more likely to be responsive than persons who are not known, and someone who has taken personal responsibility for a service relationship is more likely to act quickly and effectively.

Test and re-test communications links. Much outsourcing work takes place electronically, through the exchange of files over the Internet and, less often, through shared access to collaborative worksites established on Internet-based sites, stored

files, and pages. Foreign vendors may routinely experience significant problems in digital communications networks and systems, blocking timely exchanges. It is advisable to have backup plans for communications, and to ensure that systems are in working order by periodic testing.

Develop clear deadlines. Take into account foreign holidays and customary work practices. If you don't know what applies in the environment where the work is being done, ask.

Closely define products and delivery methods. Review products fully and frequently—and correct course immediately whenever results deviate from expectations.

Link payments to quality and timeliness. Ensure that a direct relationship is established between payments and satisfactory performance and production.

As incentives grow to outsource and offshore higher-skilled work, including technical and production aspects of professional services, so will pressures grow on U.S. architecture firms to ensure that they have put in place and tested effective quality controls, communication methods, data protection techniques, and management metrics.

ABOUT THE CONTRIBUTOR

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RESOURCES

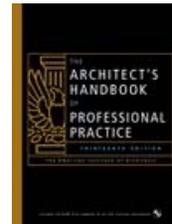
More Best Practices

The following AIA Best Practices provide additional information related to this topic:

- 10.05.08 International Videoconferencing
- 10.05.08 Exporting Architectural Services: Consideration for U.S. Architects and Firms
- 10.05.06 Adjusting to Foreign Business Customs and Practices

For More Information on This Topic

See also “Practicing in a Global Market” by Roger B. Williams, FAIA, and C. Richard Meyer, FAIA, in *The Architect’s Handbook of Professional Practice*, 13th edition, Chapter 6, page 100.



See also the 14th edition of the *Handbook*, which can be ordered from the AIA Bookstore by calling 800-242-3837 (option 4) or by email at bookstore@aia.org.



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Key Terms

- Practice
- Project administration
- Project management
- International procedures