


Going Global: *The pitfalls and best practices you need to consider*



by Leo E. Argiris, PE

U.S. engineering firms are pursuing business opportunities beyond their borders as the world goes global. International design revenue grew 5% to \$18.8 billion between 2022 and 2023. Many of the top 500 design firms have an international reach, with 150 in Canada, 113 in Asia, 109 in Latin America, and 106 in Europe, according to ENR's Top 500.^[1]

Global expansion can bring immense benefits to engineering firms, including increased market share, more competition, and access to new talent and resources. Diversification opportunities abroad can make international work a way to safeguard firm revenue against an economic downturn. Careful execution, however, is necessary for your firm to navigate the challenges that come with going global.

Pitfalls of International Expansion

International expansion requires engineering firms to reconceptualize how they do business. This process can be fraught with challenges, including navigating novel regulatory frameworks, unfamiliar business norms, and differences in contractual verbiage.

Business Norms

Culture heavily influences how people conduct business. For example, distinct cultures may have contrasting expectations about the responsibility the engineer assumes for the final constructed project.. They may also differ in the local laws around who can deliver design services and how detailed those designs should be. Some countries mandate that the engineer of record do all fabrication drawings and design work, Other countries require that the engineer effectively warrant the constructed project.

Entering a new market and expecting similar standards to those at home can erode vital professional relationships. Be sure to know the standards unique to a region where you'll do business and adjust your practices accordingly.

¹ Engineering News-Record "[ENR The Top 500](#)," May 2023.

Overseas Insurance Requirements

Engineering firms need region-specific insurance when operating in foreign countries. Applying the same insurance policy worldwide will likely result in inadequate coverage and a substantial uptick in risk.

Work with your broker to know what policy is necessary based on local laws and regulations. Many insurance carriers will give endorsements for firms to work in a specific country. It's possible to have a bolt-on endorsement that allows pre-existing policies to serve as excess coverage. If your team is traveling internationally, your broker also can outline coverage options for employees, including medical and ransom.

Contractual Language Distinctions

Contracts dictate project management, expectations, and liability — all essential clauses with profound risk implications for engineering firms. Legal terms, definitions, and standards often vary by country, so it's crucial to have legal counsel review your contracts for accuracy and compliance with local laws.

Before you sign foreign contracts, seek counsel from a local legal representative or a U.S. firm with business experience in the country of operation. This simple measure can protect your firm from costly disputes that could jeopardize your international presence.

Best Practices for International Expansion

Follow these four best practices to reap the benefits of going global without succumbing to the risks.

1. **Start with your existing relationships.** If you're considering expanding operations abroad, let your existing clients lead the way. Consider, for example, a U.S. client of yours that's already doing work abroad. Start by working on their international projects as a soft entry into the global market. This approach provides you with valuable work experience in a new country with a client you already know and trust.
2. **Have a local partner.** Consider partnering with a local engineering firm in the country you're expanding to. This could manifest in many ways. For instance, if you do structural engineering and an international client asks you to design a project, you could partner with another structural engineering firm local to the project and split the work with them.

This partner firm will have the required local licensing and registration, and they'll understand the local norms to ensure projects run smoothly. They will also have local teams in place that you can leverage to complete work if you don't yet have local staff.

3. **Know the tax implications.** If you plan to establish an office in another country, realize that each country has a different approach to taxes for foreign businesses working within their borders — and it pays to know them. Protectionist policies abound and countries have very different laws in place on the use of foreign staff on local projects. Do your due diligence and get advice. Look for other firms that have established local operations. Talk to them about their experiences and seek referrals to local lawyers and accountants that are experienced in helping foreign firms set up shop.
4. **Hire culturally experienced staff.** Cultural awareness can make all the difference in the success of your international expansion endeavors. To ensure you're approaching new markets accordingly, hire staff members with local connections who know the language. This could mean they have recently worked in that country, currently live in that country, or have immigrated to the U.S. from there.

Be sure to vet candidates carefully. Don't just hire someone who says they have regional experience — someone who grew up there but has been in the U.S. for 20 years may not understand today's cultural nuances in the country. The ideal candidate would be someone who currently lives in the country and has a deep understanding of its customs and business practices.

Contact Your Broker for More Guidance

The right approach to international expansion involves thoughtful planning, and it's an endeavor you should never undertake alone. Greyling's team of consulting and insurance experts can provide guidance for your international expansion efforts.

Let's Talk

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