Diplomatic Flair
How Berger Group thrives by working in poor and dangerous nations

Derish M. Wolff
Chairman
Berger Group's Strategy Still Relies on Going Far From Home

Berger Group, the big design and development consultant known for working in poor nations, found itself in unusual company this spring when the Bush administration was picking reconstruction contractors to work in Iraq. In news stories identifying contenders for the contract, which Berger did not win, the company was referred to as one of the U.S.'s "Big Five." The other companies were Bechtel, Fluor, Halliburton and Washington Group.

That tickled Derish M. Wolff, the 68-year-old chairman of Berger Group, partly because he knew that with total revenue of $443 million a year, his company is much smaller than Bechtel or Fluor, and that its place on the list was owed to deep international experience, not size. During a news conference, the administrator of the U.S. Agency for International Development, Andrew S. Natsios, pointed to Berger's use of local contractors while rebuilding a key highway in war-ravaged Afghanistan as an example of how the Iraqi jobs should be done.

But the publicity also signified that Berger's services in nation building—consulting to promote economic growth, self-sufficiency and stable institutions—was in demand and high on the Bush administration's agenda. Berger's portfolio is full of nation building assignments that, in recent years, have included converting former Muslim insurgents in the Philippines into business-minded farmers.

A critical part of Berger's strategy has been to cultivate contacts in the developing world, which requires the engineer to hold its own with heads of state and Harvard-educated government technocrats. The firm has worked regularly for international financial institutions and government aid agencies in places torn by war and civil strife, including the Balkans. But since Sept. 11, 2001, nation building has a new urgency. "I never dreamt it would be an attractive market in the post-Cold War period," says Wolff.

In fact, the East Orange, N.J.-based company has turned its work in dicey corners of the world into a stable, low-margin business, recording fewer write-
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Government client may force the firm to wait as long as nine months for the first payment, the flow of money is usually as reliable as on a U.S.-funded job and can last for years, says Wolff. Overseas economic and feasibility studies only provide profit margins of a percentage or two, but those from domestic transportation departments, airports and environmental consulting are more than twice as high.

Berger makes good use of its money, turning its capital eight times a year, says Wolff. A profit of 2% gives it a 16% after-tax return on capital. Wolff and Berger together own slightly more than half of the company. (The next-biggest stockholder is François Farhi, who built up its African consulting practice.)

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Berger Group may be opinionated but its employees also know customer service. “What I like...was that it was one of four companies you could pick up a phone to and get thoughtful advice from,” says J. Joseph Grandmaison, a director of the U.S. Export-Import Bank who worked with Berger while in charge of the U.S. Trade & Development Agency.

That customer focus won’t change anytime soon, even as a new generation enters the firm's top ranks. Wolff last year gave up his chief executive title to Nicholas J. Masucci, who started the VMS venture and has concentrated mostly on domestic work. Chief Operating Officer Michel Jichlinski has much overseas experience.

So-called pure engineers try to chide Berger for doing studies of rice paddies. But the firm's domestic acquisitions have added depth, and it is a partner on big domestic and international transportation design jobs. Berger also does significant aviation design, environmental consulting and program management.

But the firm’s cultural fluency remains its core. One recent TV news commentator noted that “building democracy can be good for the bottom line.” Berger is business savvy but prefers to portray its staff as idealistic hero-engineers.

And to some extent, they are. One current hero is Charles Feibel, who headed the Filipino project involving the Muslim fighters. He “brought all of his skills from the U.S as well as international sensitivity” to the task, says Masucci. While details about crops or rural infrastructure change with each job, says Feibel, U.S. policy and Berger’s services are based on the same idea: “People fight for many reasons, but at the end of the day they must have incomes to support their families.”
Berger Group Shows Engineers Can Be Nation Builders

The Berger Group's portfolio reads like the autobiography of a footloose soldier of fortune, with stops in such places as Kampala, Uganda, and Mogadishu, Somalia. There was a land registration program in Nicaragua, infrastructure reconstruction and reforms in the former republics of Yugoslavia, and consultant and contractor selection for reconstruction in the misery-ravaged Democratic Republic of the Congo.

But unlike soldiers of fortune, Berger and its competitors serve as agents of technology transfer, working themselves out of a job by training people to be self-sufficient. And they bring out the meaning in the words civil engineering, making possible the functioning of a civil society by putting into place the vital infrastructure to raise human life above mere subsistence.

Now, U.S. and international financial institutions are working to ease the suffering in third-world hotbeds of poverty and chaos, now are recognized as the breeding grounds for terrorism. But reconstruction efforts in places like Afghanistan and Iraq have been criticized for their failures.

We believe there is much to be learned from firms like Berger.

Fredric S. Berger, speaking of his first year in Nigeria, says that he began to make progress “when I stopped trying to explain Nigeria in American terms and let Nigeria explain itself to me.” That is something not every nation-building “expert” working in these nations understands. Nation building ultimately will not be imposed by the U.S. It will be chosen and expressed by people of the country itself.

Panning for Gold in the International Market

As can be seen from the ENR Top 200 International Design Firms survey (p. 30), world economic uncertainties and political tensions have not seriously impacted design opportunities.

However, venturing forth into the international market is no instant solution to stagnant markets at home. One interesting statistic from the ENR international survey shows that 32 of the 172 design firms on the Top 200 providing profit/loss data lost money in the international design market in 2002. This is nearly a three-fold increase over 2001, when only 12 companies noted losses abroad.

For companies considering diving into the international market as an answer to domestic concerns, first picture what it takes to establish a new satellite office in another city or region in your home country. Multiply these difficulties by the prospect of opening that office in a new country—where the language, customs, legal framework for operating, players and potential client base may be unfamiliar.

Do not expect an instant return. In the Top 500 Design Firms issue, Henry Mann, CEO of Perkins & Will, the huge and powerful American architectural firm, noted that his firm had been in China for six years before their investment paid major dividends (ENR 4/21 p. 79).

Not every design firm has the patience and resources to wait for such a payout down the road. If you are a design firm looking to score big in the international market, remember, it takes an awful lot of panning to produce a pound of gold dust.