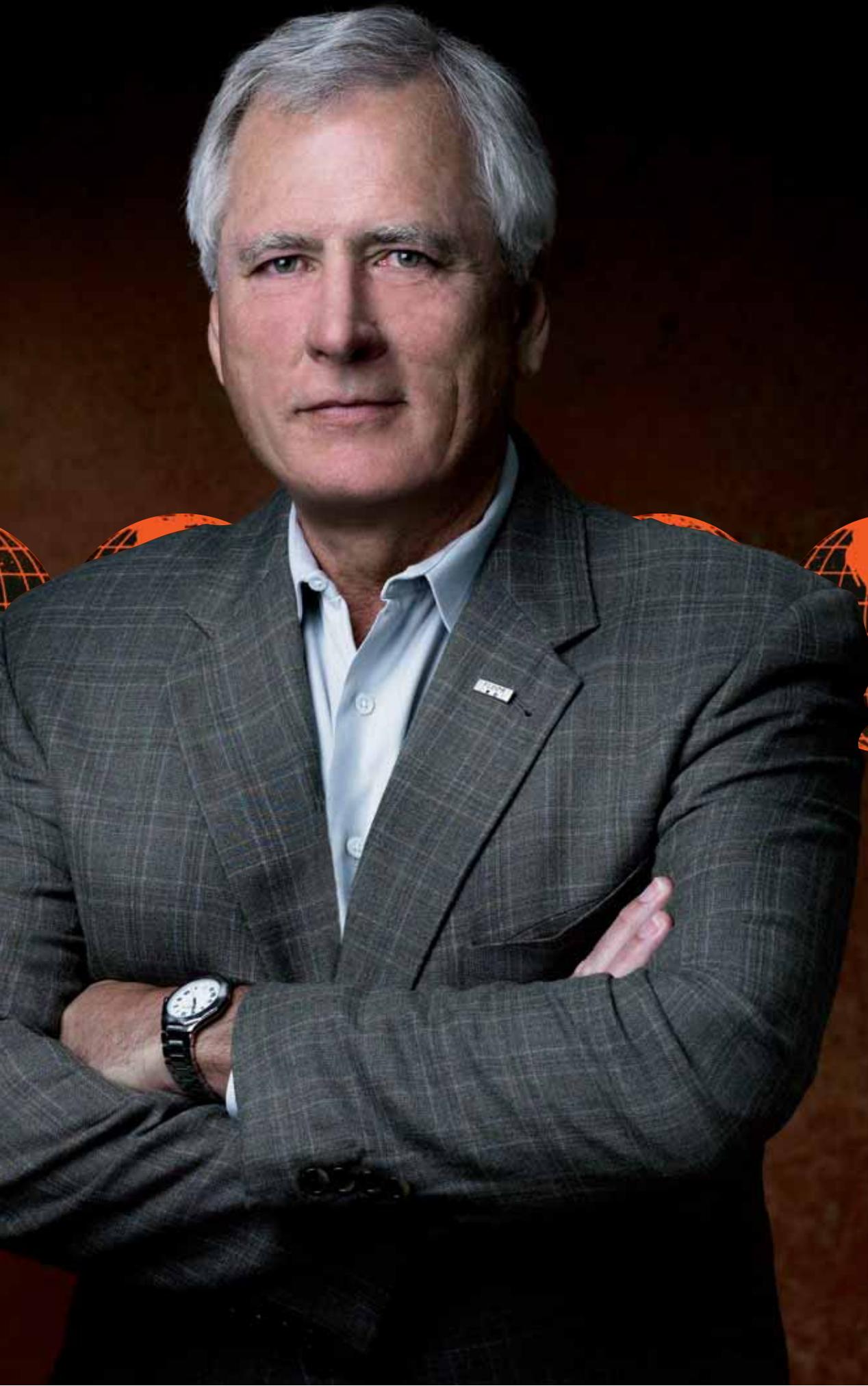


GOING GLOBAL

As head of the country's largest engineering and construction company, Fluor CEO Alan Boeckmann >> has the whole world in his hands—and on his shoulders.

By Jennifer Warren Portraits by Dan Sellers

THOMAS FRIEDMAN, RENOWNED WRITER ON GLOBALIZATION, has famously suggested that the forces of technology and convergence flattened the world around the time period of Y2K to 2004. Certainly countries, people, and firms who might have been left out of globalization's possibilities, namely in India, China, and other developing countries, enjoyed a more level playing field around the turn of the century. Many large multinational corporations, however, have been expanding their geographic reach and goods and services offerings in a growing global economy long before Friedman put pen to paper.



» THE TAKEAWAY

- 1** Globalization has been around for years, only the major players have changed.
- 2** As the world gets smaller, Dallas' place in it gets bigger.
- 3** Corruption is bad, no matter what country it's in.

Thanks in large part to a convenient, international airport—among other things—Dallas has been home to scores of such global companies, from EDS to Texas Instruments to ExxonMobil and more. In 2006, Fluor Corporation completed its corporate headquarters relocation from Southern California to Las Colinas, adding its name to the roster of Dallas’ titans of globalization. The diversified engineering and construction firm picked Dallas to streamline operational efficiencies, be more client-focused, and have greater access to clients and offices.

“While we highly value our West Coast clients, most of our North American customers are clustered in Texas and on the East Coast, which can be more efficiently accessed from the Central time zone,” Fluor CEO Alan Boeckmann said at the announcement of the relocation. “In addition, the Dallas-Fort Worth Airport provides optimal travel connections to customers in all other global locations.”

Dallas, by luck of location and proper planning, now reaps the rewards of a broadened marketplace. As the world becomes smaller and smaller through globalization, Dallas’ spot on the map grows bigger and bigger. And when it comes to the principles of globalization, Fluor and its CEO lead by example.

Challenges at the Top

In a more global economy, where goods, services, people, capital, and even firms move about more freely, greater options and complexity make the job at the top even more challenging. Of course, it helps when you know the organization from the bottom up.

Alan Boeckmann has spent the majority of his working career at Fluor since graduating as an engineer in 1974. It was boom times in oil and gas, one of Fluor’s largest segments. In early 2001, he became COO, a position for which he knew he was being considered but was still surprised to get nonetheless. In February 2002, he was named CEO of the Fortune 200 firm. (The company was listed as the 174th-largest company as recently as April.) He mentions becoming COO in between the fall of Enron and WorldCom if anyone needs anchor points.

He also arrived at his current CEO position post-Sarbanes-Oxley, with its emphasis on accountability, not to mention post-9/11, with significant projects in the Middle East for which completely new operating strategies had to be formulated. His sophisticated, well-educated, pro-Western clients from that region could not stomach the lengthy Homeland Security interrogations applied to them—well-known, respected leaders of major firms themselves who posed absolutely no threat to anyone. (Fluor expanded the London and Netherlands offices to service more of their Middle Eastern clientele.)

Boeckmann’s challenges don’t stop there. Fluor services span the sectors of oil and gas, infrastructure and industrial, government, global services, and power with 46,000 employees in 200 offices in more than 25 countries. It is one of the largest publicly traded global engineering, procurement, construction, and maintenance services companies in the world. Each of Fluor’s five business segments has anywhere from three to 10 different sub-specialties that have been grown over its 100-year history. The company prides itself on being able to build the most complex projects in sometimes the harshest of conditions—whether frozen Siberian ground, sweltering sands, or deep underwater. (See sidebar, p. 29.)

And as if leading Fluor in an increasingly complex and competitive environment weren’t enough, Boeckmann has taken on the cause of

worldwide anti-corruption.

One wonders how he finds enough hours in the day, no matter what time zone his company is headquartered in.

World Leaders

Fluor received its first contract abroad in the Persian Gulf in 1933 between the two World Wars, erecting cooling towers for a refinery under construction. Expansion in the Middle East, Canada, and Latin America gained speed, following much of the design and building occurring in the petrochemical industry.

Boeckmann recalls his early days at Fluor and how the curve was trending in regards to today’s “globalized” world. “Globalization has no doubt changed the dynamics in our business,” Boeckmann says. “When I came to Fluor in 1974, it was a time of rapid growth. Then our competition was almost entirely from U.S. firms. Today, we have gone through several waves of new entrants. It started with Asian entrants—Japanese, followed by the Koreans—and then the Europeans. We now see Chinese firms coming to the market albeit utilizing their resource advantage, well-trained but cheap labor.” While today they are competing in the Middle East for construction-only projects, within five years, Boeckmann expects the Chinese will be competing against them for total project responsibility.

The latest thinking on globalization suggests that developed countries such as the U.S. need to stay ahead of the competition with their value added, namely staying on the forefront of scientific and technological advances. Fluor is no stranger to technological advances and the need to stay ahead with innovation. In 1921, they introduced the “Buddha” cooling tower, named after its resemblance to a Buddhist shrine, its first product manufactured and a radical advance in the cooling of water. Another advance in the 1950s, introducing the use of scale models of plants as design tools, ultimately led to Fluor becoming an expert in lifting and rigging huge vessels. Today, Fluor’s focus on green technologies and solutions is building steam (and is re-capturing it literally for reuse).

Because of the critical industries in which it operates, finding ways to minimize environmental impacts has become a central mission at Fluor. The company’s health, safety, and environment platform serves as the foundation of its corporate culture—building the brand along the way—but also as key ingredients to modern-day demands from clients.

A Global Edge

Boeckmann relays several other key aspects of competitive advantage for those operating and competing in global arenas. One is the trend of competition and cooperation among firms happening simultaneously—and by necessity.

“It’s hard today on a global basis to do everything, especially on large projects. In Kazakhstan, we identified a company that had good country knowledge and was also a strong global player to team with for a very large project,” he says. “In Mexico we have had long, successful joint-venture relationships, and we could not operate there without their support. They, on the other hand, could not do the work without our technology, design, and program management skills.”

Business relationships become a competitive advantage if the partnership can be made to work effectively, which can be quite challenging with firms in countries of very different stages of devel-



FLUOR'S MEGA-PROJECTS

No job is too big for the engineering and construction firm. Witness these recent endeavors:

The **environmental clean-up of the Fernald, Ohio, uranium foundry site** took 15 years to complete. Fluor finished it under budget and well ahead of the estimated schedule. (This project has subsequently led to the cleaning up of Cold War nuclear remnants with U.K. partner British Nuclear Group and will provide Fluor with a strong position in the emerging nuclear energy market.)

Fluor serves as managing partner of Phoenix Constructors, the joint venture general contractor for the \$2.21 billion **World Trade Center Transportation Hub**—a bigger and better replacement for the transit station under the WTC.

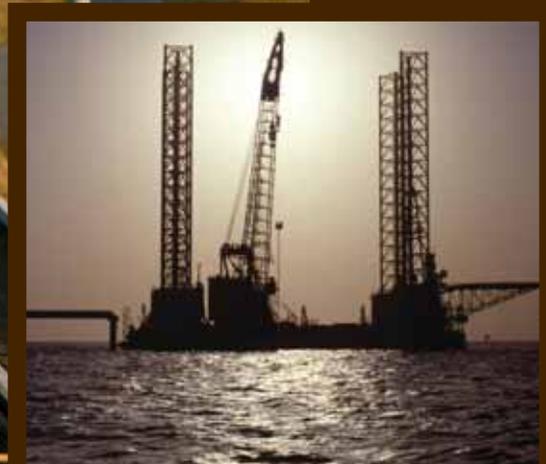
Currently building the signature span of the **Oakland Bay Bridge**.

The \$3.2 billion **Marathon Oil refinery project** will expand the crude oil refining capacity of the Garyville, La., refinery by 180,000 barrels per day. Fluor will provide project management, engineering, and procurement services plus manage local construction contractors that will require an average of 2,000 workers with up to 4,000 workers at peak periods.



SPANNING THE GLOBE:

Some of Fluor's work has included (top to bottom) the Aladdin Hotel and Casino in Las Vegas, Nev.; the Dutch High-Speed Rail; and an LPG offshore facility in the Middle East.



opment and the resulting legal and political climates. Boeckmann cautions that you have to know what questions must be answered with respect to governance, decisions, and communications, to name just a few areas, in relation to the partnership and country specifics.

Globalization has brought new operational challenges to Fluor with its far-flung offices and diverse projects. On the global-sourcing issue, the idea that a firm will identify and use the lowest cost input whether labor or goods to compete, Fluor has crossed that bridge, and then some. Back in the late '80s, Fluor started using engineering centers outside the U.S. and Europe.

"In Manila, New Delhi, and Mexico City, we took advantage of lower cost labor, but highly technical, skilled labor," Boeckmann says. "We taught the people of these organizations to do original designs, not just replicating what worked in other places. These new employees were trained with the same standards and technical skills as those coming out of U.S. colleges. Many of our competitors have offices similar to ours globally but have not been able to execute in a totally integrated fashion."

Many firms take hard knocks in the realm of public opinion about the sourcing issue, and Fluor is no exception. But, as Boeckmann explains, had he not used Manila to do 40 percent of the design work on an important project, there would have been no work at all. "I would have lost the project to the Brits, our competitors who were using New Delhi designers from their base," he says. "And, if I did not procure the project, I wouldn't be hiring 800 people in Houston right now. So to me, it's not just a necessity, but also a competitive advantage."

Today, global sourcing offers several other benefits. "We're busy across the globe, and growing at virtually every office," Boeckmann says. "I have the ability to put together the offerings of four, five, or six different offices. I may have more piping design capability or more structural design in one office. I can put those together today where I couldn't have 10 years ago." Global services would have otherwise been more difficult if Fluor could not arrange its offerings per locale and specialty to serve client needs. His workforce has more stable growth and is less vulnerable to ups and downs driven by local economic issues.

The major cost in many mega-projects is construction and the extremely complex industrial machinery. Again, global sourcing can help take the sting out of such expenditures. Fluor has a very sophisticated global sourcing organization in Houston with significant personnel around the world. Last year, this branch of Fluor procured \$7-8 billion in capital goods, globally. A considerable amount of this business is done out of India and China.

Boeckmann explains: "We saw the market coming and even helped create competitors in this area. We needed to offer our clients lower cost solutions and more certain delivery. Having this capability has really gotten us a boost in our oil and gas segments. We just placed the largest order for fabricated steel ever placed out of China for the San Francisco Bay Bridge project. This cost advantage significantly helped us win the project." Thus a steel yard out of China became a strategic differentiator.

Friends in All Places

Competition is heating up across the many sectors and countries in which Fluor operates, and the heat is expected to increase. New multinationals definitely pose added competition. Boeckmann addresses Fluor's strategy. "We have to continue to differentiate ourselves," he says. "We have become more broadly diverse and capable in process

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—FLUOR CEO
ALAN BOECKMANN



technologies and program management. For example, we often team with [other countries such as South Korea] on projects. They will take on risks we wouldn't normally touch. In these circumstances, we contribute the intellectual property, overall management, and more sophisticated design, thus leading to good margins on the project. This allows us to take on projects that wouldn't happen otherwise." Diversification, partnering, and moving up the value-added curve has brought Fluor sustained global growth with an expanding global workforce.

Boeckmann's knowledge of his industry and its surrounding universe runs deep and wide. As to how he makes decisions under conditions of uncertainty and change is an esoteric endeavor. But he succinctly states (in contrast to how a consumer-goods products firm would strategize), "We are not market-makers. We have to be where the market is, and help it with where it is heading, expanding our services along the way." Fluor's board of directors meets every year to strategize about the next five years and analyze developing markets. With size comes the natural tendency for barriers and bureaucracy, and Boeckmann believes it's important to keep the barriers down that block agility.

The organizational structure of Fluor makes Boeckmann a CEO of CEOs. Each of the five key groups has a president which manages and directs that business segment: oil and gas, industrial and infrastructure, government, global services, and power. "The group portfolio of oil and gas alone is as large as any of our competitors' total business portfolios. And this is managed quite well." He continues, "We meld a culture in this diverse company where we rely on each other as markets go up and down."

Equally important is the give and take of the groups. "We focus on not having rigid boundaries between organizations. We can move people quickly between groups and share strategies around clients. We can even shift compensation when necessary around and between groups," Boeckmann says.

In such an organization, trust and teamwork become paramount, and Boeckmann's naturally suited for it. Vice President of Communications Lee Tashjian describes Boeckmann's leadership style as "very contemporary and sophisticated."

"His approach is collaborative in terms of goal-setting and business strategy development," Tashjian says, "and this creates an enabling environment for the execution of strategy and goals."

A Legacy of Leadership

One of the greatest global challenges faced by Fluor and its industry is corruption. The World Bank puts the cost of corruption at 5 percent of GDP (gross domestic product), or \$3 trillion. Behind the fight against corruption are the United Nations, Transparency International, transnational economic bodies, governments' legislation, and roughly 30 years' worth of effort. But Boeckmann took the anti-corruption issue to the street, where it mattered most. He stated in a recent World Economic Forum (WEF) interview that "companies represent the supply side of corruption. It is companies and individuals within those companies that pay the bribes demanded by corrupt officials."

In 2003, as the chair of the WEF Engineering and Construction Governors Group, Boeckmann launched the group's anti-corruption effort. The Group came up with the guiding principles for which all signatory firms would be held accountable. Later, the Energy and Mining & Metals Groups came on board and adopted what was ultimately the Partnering Against Corruption Initiative or PACI. "At the

time of PACI's development, we were facing a challenge in a country with a joint-venture client and our competitor. You could tell somehow, somehow they knew our number. They were able at the last minute to undercut our bid. I grew tired of this happening again and again," Boeckmann says.

Today, the PACI has a critical mass of leading firms banding together to level the playing field. The commitment of 130 companies worldwide to a zero-tolerance policy on bribery and its practical implementation has been realized thus far. But now how to enforce it? A self-assessment tool and a third-party review mechanism has been developed for firms to measure themselves. The World Bank has adopted PACI language and requires firms under contract that receive Bank funds to operate in an ethical manner. Fluor has an ethics hotline where suspected violations can be reported 24/7, with translators in more than 150 languages available.

It's still early in Boeckmann's mind for the realization of PACI goals, but at least the spark has been ignited. Having worked with other CEOs in the past, Tashjian boasts about his current one. "For most CEOs, the most coveted place to speak would be the WEF at Davos, Switzerland," he says. "Boeckmann is asked to present at numerous panels there year after year." True enough, the financial press often seeks Boeckmann's views, which serve as a litmus test about global trends.

The Man at the Top

In Boeckmann's 33-year tenure at Fluor, the road from project engineer to CEO has not been entirely linear, but always positive, he says. Since the day he arrived at Fluor, he remembers good, challenging assignments and that people took chances on him. "I received tremendous mentoring and certain people noticed and supported me. I have worked in many of the varied industries, locales, and job descriptions and functions such as construction, engineering, marketing, and project and department management. Even before [I became] CEO, I had significant knowledge of the people across the organization," he says.

As CEO, Boeckmann still remains hands-on. He recently traveled to four major project sites in the Middle East over five days. At every site he saw people he used to work with four to five years earlier or even more recently. "I am reminded, however, by those I work with, that I am not as technically competent as I used to be," he says with a slight smile. Last year he received a lifetime achievement award for outstanding projects and leaders by the American Society of Civil Engineers, and he's quick to credit his employees for this accomplishment.

Boeckmann stays hands-on with clients, as well, which is very critical in his business. "I spend a good deal of my time on development issues. In order to implement projects for the \$22 billion backlog (contracted work), we have to continue to develop people." He continues, "I try as often as I can to get out and discern the heartbeat of the company."

Boeckmann's philosophy of work contains secrets to his success. "I can truly say I never saw my promotions coming, until the CEO promotion. I wanted promotions, but was always focused on the work at hand. My advice: Don't be so enamored with getting the next promotion or moving forward that you forget to do a good job. Don't forget the people that have helped along the way or forget to give them credit. Without others, you would not be where you are." **D**