

# Interview: Umberto Donato – Principal-in-charge, DDD Group, Puerto Rico

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*The phasing out of fiscal incentives in 2006 has impacted the Puerto Rican economy as well as the life science arena. The president of DDD Group, a company offering fully integrated services for capital project delivery, discusses the new challenges the industry is facing in terms of construction as well as the advantages new technologies such as building information modeling offer to clients for cost control.*

**The environment for life sciences has changed over the past 20 years in Puerto Rico. How did this impact the construction and design industry?**

The Puerto Rican economy depended heavily on Section 936 of the Internal Revenue Service (IRS) Code, which provided US firms operating on the island with tax-free income. When Section 936 was phased out in 2006, it was a turning point for the economy of Puerto Rico. As pharmaceutical companies started reducing their local operations and were increasingly facing the patent cliff, construction started winding down. Nonetheless, life science is still the most active construction sector on the island. We have seen that companies are shifting from building up new facilities to

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making additions, renovations and plant modifications to bring new products and technological advances.

**Over this time the industry has also shifted from manual labor to an increasing degree of automation. How challenging is it to keep up with the changes?**

The company was established in 1998, so has witnessed many changes. With the advent of Building Energy Modeling (BEM), we base a lot of our services in what we call "Integrated Project Delivery" (IPD) with in-house staff. The technology that has been creeping into construction has changed the way we approach the life cycle of structures, which today are shorter than in the past. In the past, architects focused on providing a product for a specific moment in time and a specific budget. Today we need to bear in mind shorter cycles and technology is a key ingredient to do it. Thanks to BEM we are not only able to design buildings taking into consideration implications for front-end constructions, but we are also considering variables such as life cycle, energy costs and productivity, which in turn translates into faster construction times and savings for the client.

Technology has provided us with tools to collect more information from the different participants along the production cycle. IPD, which means having the whole design & construction team under one roof and gives the client added value, as we can offer the information gathered throughout the construction process to design a facility that serves them in a better way. For instance, today in Puerto Rico a big issue is the cost of electricity. In the past BEM was used as an aesthetic tool to help visualize a building; later for construction/detection, and maybe take-offs. Today, thanks to BEM, we model the energy consumption of the buildings we design, which means we can estimate clients' utilities costs, thus ensuring them savings.

**What kind of challenges do you help clients face?**

I think we help them overcome the biggest problem: the human factor. The biggest challenge that clients face involves coordinating players from different teams in the decision process and ensuring decisions are made in a collaborative way. When you have teams from different companies with different objectives, cultures and timeframes, it's very hard to react fast. Thanks to our IPD model we have them all under one roof, which makes clients' lives much easier. With us, clients can rely on the ease of doing business smoothly. We have one culture, one mission and one product.

**How much of your portfolio is taken up by the life science industry?**

Today 30 percent of our business is within the life science sector. We work with a variety of clients, ranging from the private industry to federal authorities, hospitals and industrial facilities. However, our business has been evolving over the years. After graduating in Boston I started working for Marshall, a Fluor Daniel Company, and participated in the construction of a number of large manufacturing facilities for the pharmaceutical industry, including Pfizer's Viagra. When I started DDD Group, a lot of the know-how I had acquired in the pharma industry was carried to housing, which was hot at that time. But over the last eight years we moved back to pharmaceuticals, because it is a more attractive arena.

**The Puerto Rican government has invested an estimated USD 800 million over a five-year period to attract medical tourism. Has this investment brought you more business so far?**

It has. There are challenges, but I believe medical tourism is definitely picking up. It's a great opportunity on which Puerto Rico can capitalize, as we have a big US-trained doctor base and good facilities. However, I think the maintenance services sector for the life science industry offers the most potential for growth in the future. So far we have kept this side of the business on a smaller scale, but we think there is a huge opportunity for the facilities we design and build.

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## **What makes DDD Group the partner of choice for the life science industry?**

I would say our knowledge of the life science cycle and our in-house capabilities to design, build and maintain facilities. We do a lot of design-build, which is one of our key differentiators. Being able to provide the client with a 360-degree service of in-house designers, engineers and carpenters brings great value added. But it's not only about our people; it's also about our technology. We have a very strong IT infrastructure that gives us the ability to easily analyze and look for alternatives for our clients.

We just finished a distribution center for a client from the industrial sector that had been trying for years to put out a project an architect had designed for them, but was far too expensive for their budget. They came to us and needed to bring costs down by 50 percent. Thanks to our business model, we understood what the client wanted, took out from the project what was not critical to their operations, and finished the facility within the timeframe and at half of the budget. I studied architecture and engineering and I don't think of myself as either; I think of myself as a builder providing a product to our clients.

## **Where do you want to take the company in the future?**

We are in the process of opening a small operation in the state of Virginia, as we have a couple of clients interested in us moving there. We are trying to use them as a launching pad to work with other companies. There are lots of opportunities in Central and South America, but also more challenges. We have been in talks with companies in Panama, Colombia and Peru, but I think we'll still gravitate northwards, mainly because of our business model and our way of doing business. The key ingredient in any project is the client. When you move to a different market you need to understand the market or the client. Latin America would mean different markets and different clients. Virginia is a different market, but with the same clients.

## **How do you see Puerto Rico developing over the next five to ten years?**

I see it with very positive eyes. The island is feeling the pressure of competitors such as Mexico, Guatemala and Costa Rica, which are attracting operations due to lower labor costs. In the past, companies in Puerto Rico were making a lot of money, so there was no incentive to look outside. Today, for the first time, the same companies are looking abroad. Without the right incentives, this would have never happened. We have many industries that are healthy, strong and rely on very good human resources. Outside there are lots of unexploited opportunities. I'm optimistic: going abroad will bring fresh money to the island, which is going to revitalize the economy.

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