

BIG PROJECT

MIDDLE EAST

THE BUSINESS OF CONSTRUCTION

112

www.meconstructionnews.com

JULY 2015

FAMILY BUSINESS

David Richter, CEO of Hill International, is determined to carry out his father's legacy, while putting his own stamp on the family business



FAMILY BUSINESS

Six months after David Richter took over as CEO from his father, **Big Project ME** sits down for an in-depth chat with him about all things Hill International and how he intends to take the company forwards

Back in 2003, during a speech to new graduates at the University of Texas, Michael Dell, founder of Dell Computers, first said what was to become one of his most famous and repeated quotes. He told the crowd of young listeners that one of the keys to success was to: “Never be the smartest person in the room. And if you are, I suggest you invite smarter people... or find a different room.”

It’s tempting to wonder if David Richter, the CEO of Hill International, has listened to this speech. In an interview with **Big Project ME** at Hill International’s Dubai offices, he has very similar sentiments when he outlines his philosophy for business.

“You see a lot of companies in this industry where the founder’s name is on the door, and he’s the smartest guy in the room. And as a result, most of the other people in the company are lesser lights. The lesson [we’ve learnt] at Hill is that you have to go and find the best and the brightest and bring them into the company. I’m a civil engineer and I’m finishing up my Master’s degree in Major Project Management at Oxford, but I can tell you, you don’t want me managing your construction project! I consider myself a management expert, but I’m not a construction expert,” Richter says.

“So when I go into a meeting, I want the smartest people I can find to be in the meeting with me, to give our clients the best advice possible. We have a company filled with people like that. And the great thing is that it becomes a self-fulfilling process, because great people attract more great people.”

That philosophy was handed down to

Richter from his father, Irvin Richter, the founder and former CEO of Hill International. “I would say that the most important lesson I’ve learnt from my father is a lesson he learnt very early on. I think it was primarily driven by the fact that he was not a technical expert in construction. That’s no disrespect to him, he really built the company up because he was one of the best salesmen and public speakers in the industry. But because he wasn’t a technical expert himself, he was forced to surround himself with the best people he could find.”

Having taken over as CEO of Hill International from his father at the start of 2015, Richter is mindful of the responsibilities that entails. Although he has been involved in the company

for nearly 20 years, 10 of them as chief operating officer, he says that stepping into his father’s shoes has been a chance for him to put his own stamp on the company and its mission.

“A big part of my father’s strategy was growth. It was a mutual strategy, we always saw the long-term possibilities for the company, being a much larger player in its markets. That small consulting firm he started in our home, he always saw that it had tremendous potential. When I joined, Hill was about 200 people doing \$20 million a year in revenue. This year, we expect to break 5,000 people for the first time, and do about \$750 million in revenue. So it’s a very different company and you don’t manage that business in the same way.”

Despite these ambitions, Richter is keen not to lose sight of what made Hill such a success in the first place – the culture that his father built up, that of a small business, with a sense of family and belonging. He’s keen that the individual offices of Hill International scattered around the world continue to enjoy the freedom they had under his father.

“We operate in a very decentralised way. We give our local and regional managers a lot of autonomy and authority, and we keep the organisational structure as flat as possible so that there aren’t a lot of levels of communication between, let’s say, the head of the Dubai office, and me. Decisions can be made very quickly. They do not get made by committee.

“We do everything we can not to have our company run by committees, because a) it causes the wrong decisions to be taken, and b) it takes a much longer time. We believe

“WHEN I GO INTO A MEETING, I WANT THE SMARTEST PEOPLE I CAN FIND TO BE IN THE MEETING WITH ME, TO GIVE OUR CLIENTS THE BEST ADVICE POSSIBLE. WE HAVE A COMPANY FILLED WITH PEOPLE LIKE THAT”

that the speed of the process is paramount. That means single points of responsibility and as little bureaucracy and governing by committee as possible," Richter states.

This approach is clearly paying off handsomely for Hill International. In May this year, the project management and construction risk management specialists announced first quarter results for the year ending March 31, 2015. Total revenue for Q1 2015 was a record for the company, with \$171.6 million posted, an increase of 14.4% on the same period in 2014.

Consulting fee revenue alone was \$152.5 million, an 11.1% increase from last year. Operating profit for Q1 2015 stayed unchanged from last year at \$6.0 million, but net earnings were up 1,966%, to \$1.1 million, or \$0.02 per diluted share, from net earnings of \$0.1 million, or \$0.00 per diluted share in Q1 2014.

The company's total backlog stood at \$1.039 billion, compared to the \$1.080 billion registered on December 31, 2014. The 12-month backlog on March 31, 2015 was \$445 million, compared to \$470 million at the end of 2014.

The Middle East contributes up to half of the company's revenue, while approximately 20% of revenue is generated from US operations.

These are highly positive figures, but Richter insists that he sees room for improvement and evolution within the company, despite having "hit the ground running" since he took over at the turn of the year.

"I was happy with how we did in the first quarter, but we definitely need to do even better. Not because we're a public company that has shareholders that want improved quarterly performances (which we do), but for our own internal purposes and goals.

"We have a company that has been, by all measures, one of the most successful in the global construction industry. If you look at our stock chart you wouldn't think that, because the stock hasn't performed as well," he states frankly.

Given that the company only went public in 2006, it has had to deal with a lot of external turmoil that was out of its control. Not only did the global financial recession have a major impact, but a bold move into the untapped market of Libya caused serious repercussions and an over-leveraged balance sheet, thanks to the revolution and ongoing civil war there.

However, Richter points to the Q1 financial results to show where the company is now headed.

"We're in a position this year to see our

third consecutive year of double-digit revenue growth. We need to make sure that our bottom line reflects that success. While we've had a good first quarter, we want to have a great 2015, and so we've gone through an effort to right-size our overhead costs so that we can deliver, not just strong revenues this year, but far and away record earnings, and I think that if we can do that to the level that we're projecting, then we'll have a fantastic year and the stock will react accordingly."

Despite the issues Hill faced in Libya, Richter says he hasn't been dissuaded about expanding his company's reach into countries that may be considered more trouble than they're worth. With the Middle East contributing significantly to overall revenue, he's determined to follow through on plans, even if it means adjusting and adapting to changing circumstances in the region.

"We've wanted to be a global company and we've pushed very hard to be so," he explains. "That's going to put us, sometimes, in markets and countries that are going through various problems. Whether it's revolutions like we saw in Egypt and Libya. Fortunately, in Egypt things got back to normal rather quickly. In Libya, they didn't.

"We've certainly had some challenges in

MONEY MATTER
The Middle East contributes up to half of Hill International's revenue, with 20% coming from US operations.



KEY TO SUCCESS
Hill's recent acquisition in Turkey will be key to its success in places like Azerbaijan.

"WE'VE ALREADY HAD INTERNAL CONVERSATIONS ABOUT BOTH IRAN AND CUBA AS COUNTRIES THAT ARE GOING TO OPEN UP TO US FIRMS, AND WE'RE IDEALLY POSITIONED TO ENTER BOTH OF THOSE MARKETS"

Iraq this year, but the way we deal with that is by looking at the very first part of our strategy, which is being a global firm. Then you're not too reliant on any one country for your revenues. Even back in the year Libya went to civil war and we shut down our entire operation there, we still grew that year. We still saw revenue growth throughout the company. So the diversification strategy that comes with being a global company has certainly mitigated some of those risks," he asserts.

With the company's primary costs centred around payroll and rent, this expansion strategy allows for an easy upscale in markets that are performing well, and easy downsizing when things go wrong.

As befits a global company, the Middle East isn't the only area of focus for Hill International. The company recently bought one of the largest project management firms in Turkey, growing their business from 30 people on the ground

to 130. The buyout of IMS comes as part of a well thought-out move into Turkey and its neighbouring countries, Richter explains, adding that the country is central to Hill's plans for Africa, Europe and the wider Middle East.

"We see Turkey being a really strong market for us in the long term. Not just because the internal Turkish economy is growing, but because Turkey is so central to the markets that we're in – the Middle East, North and Central Africa, Europe and especially the former Soviet Union republics – Kazakhstan, Azerbaijan and places like that."

Interestingly for an American firm, there are two other countries that are being looked at with considerable interest.

"We've already had internal conversations about both Iran and Cuba as countries that are going to open up to US firms, and we're ideally positioned to enter both of those markets. Our early success in Libya is a good indicator

of what happens once a country opens up to US companies doing business there. We can move in very quickly to build our brand, hire a local team and start to win work very quickly.

"I think that will be true in Iran, if it's the next country to open up, or Cuba, or anywhere else."

For now, however, the focus remains on the Middle East, and on the GCC in particular. Having been in the region for more than 30 years, Hill is established and well-regarded by the local industry. However, the bulk of its business still comes from four countries – Saudi Arabia, the UAE, Qatar and Oman. The next task, Richter says, is to expand and grow into the rest of the GCC.

"Growth is part of our corporate culture, and we have grown significantly in the Middle East over the past 10 to 15 years. We have been in the region for nearly 30 years and we still see the biggest growth opportunities for our company in this region. Nearly half of our



ORGANIC GROWTH
David Richter says that the Middle East has seen, and will continue to see, organic growth that has driven Hill International forwards in the region.

revenues come from the Middle East today, but we see even greater opportunities ahead.”

Despite this, Richter says that he doesn’t believe mergers and acquisitions are the way forward for Hill in the Middle East. Having had such success under its own steam and through organic growth, he sees no reason for that not to continue.

“We’ve actually never done an acquisition that solely did business in the Middle East. All our growth here, ever since we opened the first Hill office in Abu Dhabi in 1985, has been organic. We’ve typically seen so much growth here that we’ve tried to acquire elsewhere to balance out the over-concentration over here. Over the years we’ve bought companies in Brazil, Scotland, South Africa, Australia and other places to try and balance it out.”

Richter adds that there is an ongoing drive within Hill to hire people who bring a high level of skills to the company, a consequence of the “organic” growth that he anticipates will continue to happen in the GCC.

“I often have to explain to investors on Wall Street, who view the Middle East as a fairly risky, politically unstable part of the world, that where we do business, it’s not. Where there’s construction happening, you’re not going to be in the middle of a war zone. It’s typically places where investments are flowing in, capital is flowing in and it’s stable, with opportunities for more development and growth.

“There’s no question of that, having watched Dubai rise up for the last 20 years. This is a place that is going to continue to see growth.” ■

“WHERE THERE’S CONSTRUCTION HAPPENING, YOU’RE NOT GOING TO BE IN THE MIDDLE OF A WAR ZONE. IT’S TYPICALLY PLACES WHERE INVESTMENTS ARE FLOWING IN, CAPITAL IS FLOWING IN AND IT’S STABLE, WITH OPPORTUNITIES FOR MORE DEVELOPMENT AND GROWTH”

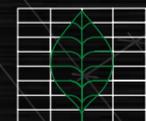


Straight Access



Taking the stress out of your job...

With complex engineering problems, tight deadlines and demand to get the job completed, stress takes its toll. At TECHNAL®, we are here to support you through all the stages of your project. From conception to completion and everything in between, leave it to TECHNAL® to be with you every step of the way. TECHNAL®’s world-class aluminium façades, skylights, sunshades, windows, doors, office partitions, balustrades, and blast- and bullet-proof systems set the standard for quality and innovative engineering solutions with a range of complete applications that meet all your architectural aluminium needs in both residential and commercial buildings.



eco-design



SINCE 1978
IN THE GULF



TECHNAL®