



Don't stop believing

With so many construction firms going from boom to bust, can an engineering company (set up at the height of recession) survive and more importantly, make a profit? **Tim Murnane** thinks it can

Unfortunately, the domestic Irish construction industry is currently somewhat of a basket case. It has been such since 2008 and indications are that it will remain so for the foreseeable future. So, how are those operating in this industry coping? Murnane and Partners Consulting Civil/Structural Engineers was set up in early 2009 as the industry madness had just commenced. The belief of its directors at the time was that no matter what the industry and economy was like, there would always be a market for a company with the correct business model. So, was this belief correct? The world recession from 2008 had a serious impact on the Irish economy. Added to the global problem was the fallout from Ireland's

property bubble of the previous decade, which literally strangled the industry. The domestic construction industry in Ireland has continued to shrink year on year since 2007 and to date, there are unfortunately little signs of a recovery. Within this environment, how does a new company survive or indeed attempt to grow market share? We have endeavoured to answer this question over the last three years. The first test of a company's success or otherwise is quite a simple one. Do they still exist or have they thrown in the towel and fled to far-flung corners of the globe? Well by virtue of the fact that this article is being written, we do still exist and are surviving. Indeed from year one to year two, we have doubled turnover and it's not

many companies in the Irish construction industry that can say that. Even though this doubling of turnover is based on modest figures, it is beyond dispute that they are moving in the right direction. So how are we achieving this apparent success? In business and in life, as a rule people generally want and try to help each other. And it is often at the darkest hours that people are seen at their brightest. In the construction industry at present, this rule applies more than ever. It is extremely re-assuring to experience on a regular basis peers such as architects, contractors, project managers and quantity surveyors rally round people that they believe in and try to share opportunities to work on



projects. The principle has held that this person/company never let me down when times were good and so they should now be supported, secure in the knowledge that this loyalty will be rewarded with a quality service at lean prices. We have received a huge influx of work based on this principle. Our business model is simply based on combining the expertise that the directors gained while working with the largest national and international practices, with the personal services and low costs which only small practices can provide. This model has worked and continues to work; we continue to believe it is the way forward. In the glory days of the Celtic Tiger people wanted to get the job done quickly and were prepared to pay whatever it took to achieve this. When the bust came, people wanted it done cheaply regardless of time and quality. Unfortunately the later aspiration is shortsighted and people soon realised this strategy does not work and leads to inevitable disaster. The middle ground was soon reached where the value of the triumvirate of cost, quality and time was soon realised. And practices such as ours were perfectly positioned to provide excellent value for money without compromising on the crucial values of quality and time. For larger practices, the agility within their business models simply did not exist to allow them to move into this space which the

market now demanded and so they were generally caught “wrong footed” and paralysed to do anything about it. Intuitively one would suspect getting paid is the biggest obstacle to surviving in these times. However, we have found this to be surprisingly ok. The majority of invoices are paid within one month and very few extend beyond two months. A systematic approach to invoicing and following up with unpaid invoices has been crucial. However, we believe in the age old principle that people will pay you if they are happy with the work completed. It used to be considered that the dog that barks loudest gets paid first. However, in recession all dogs bark loudly but people wear ear plugs! They prioritise those who are genuine and do a good job and we like to think our success in this regard is down to this. A number of obstacles do exist for a start-up engineering consultancy to get up and running and compete with established practices. The main one is the entry requirements to tender for Public Work and in particular the requirement to have three years company accounts before a company can become eligible to bid for the majority of public work. This requirement discriminates against new companies and to have them automatically disqualified from bidding for public work in this crucial period of their development can be a fatal blow. While the

amount of public work has also been dramatically reduced, it could represent a lifeline to new companies trying to survive. We can understand that this rule was invented in different times and may have had some merit. However, times have changed dramatically and the public procurement system needs to be more flexible and change quickly with the market. Quite often the expertise within larger practises was provided by the same people who now work in companies less than three years in existence. Hence, it is unfortunate for public clients not to be able to avail of the quality and value for money that new companies can provide by virtue of an outdated three year rule. We would suggest one year's company accounts should be more than satisfactory to demonstrate a company's bona fides, particularly for smaller projects. If this approach was adopted through public procurement rules, it would have the double benefit of getting better value for money for the tax payer, while helping to keep newly formed practices in business.

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