

UKIBC Case Study

HALCROW

Tell us about your business – its origin, offering and coverage?

Halcrow is one of the UK's leading consultancies, with a pedigree stretching back to 1868. The company's founder, Thomas Meik, worked extensively on port, maritime and railway projects in northern England and Scotland. During the first half of the 20th Century, William Halcrow (later Sir William) established the firm as a pioneering force in other areas, notably tunnelling. Halcrow's first commissions outside of the UK were undertaken in the 1890s. In the year 2008, projects undertaken outside the UK accounted for approximately 50% of turnover.

Halcrow specialises in the provision of planning, design and management services for infrastructure development worldwide. With interests in transportation, water, maritime and property, the company is undertaking commissions in over 80 countries from a network of more than 90 offices.

We place considerable emphasis on developing our capabilities in line with the needs of our clients by placing them at the centre of our operations - by taking an extra step and trying to behave as if we are stakeholders in their business. To enhance the way we deliver our projects, we invest heavily in the systems to support our clients, and are committed to staff training, quality, and developing appropriate IT infrastructure.

Our internal infrastructure enables us to develop project teams to precisely match the needs of our clients. With an integrated approach, we are able to draw from the pool of skills and experience throughout the whole company and benefit from the flow of knowledge and people around the business.

Tell us about your global geographical footprint?

Halcrow employs around 8,500 staff worldwide as stated above in 90 offices and work in 80 countries which are divided into 9 regions.

The UK accounts for about half our turnover and we have around 30 offices in the UK. Second to this is the middle east where we have around 1500 staff in with main offices in United Arab Emirates, Qatar, Bahrain, Pakistan, Oman, Libya, Syria and Iran. We have an extensive presence in North America with offices across the USA and Canada. We also have five emerging regions which are South Asia (includes India) , East Asia (includes China) , Australia, Latin America and Europe (Eastern Europe).

When did you make the first investment in India?

Halcrow opened a representative office in India (Delhi) in 2002 and registered a local operating company in Delhi in 2003. This local company has grown from zero staff in 2003 to over 200 staff at the present time.

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What were the main drivers of your decisions to foray into India?

A recognition of three things. Firstly that since the early 1990's India had previously changed its somewhat isolationist and protectionist policies and opened itself up for inward investment in many areas including infrastructure. Secondly the fact that India would during the 21st century become one of the key economies in the World. And thirdly the massive investment that was and still is required in infrastructure to support the countries GDP growth, commercial companies effectiveness and to meet the growing aspirations of an increasingly wealth population.

What was your business strategy for entering India?

The key planks of our initial and current strategy are:

1. To select key market segments where we can see growth, gaps in the market and the need for a consultancy company offering high quality services;
2. To take on Indian market sector leaders to manage each of these segments;
3. To partner with key clients who share of ethical values and who will value our services in these sectors;
4. To build up a local company that offered the same level of services that Halcrow did World wide but at a cost comparable but somewhat above local competitors – but to sell on the basis of our differentiated performance, in terms of value offered and delivery.

We identified the highway and hydropower sectors as the first sectors that we entered into and are now market sector leaders in transport planning and hydropower planning and design in India. Since then we have built up expertise in ports, building structures, water resources and urban and waste water, environment and urban planning.

What have been your biggest challenges of entering and operating in India?

Internal Challenges: Getting and retaining the right staff. There is a significant shortage of key staff with the right experience to lead and develop these sectors and this shortage creates significant salary inflation and can lead to high staff churn unless one is able to offer a challenging career and excellent terms of employment.

External Challenges: Initially when we had no track record in India it was getting accepted. Now that we are well known in the market it is ensuring that we find and focus on clients that appreciate the value that we are able to offer on their projects and prepared to pay for this value.

Has the Indian investment met up with your expectations, please state why?

To a large extent it has. We have achieved the growth that we expected and Halcrow still has significant growth targets for India.

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What key factors would you attribute your success in India to?

Sticking to our strategy, making sure that we employ the best people, particularly to lead in each sector and continuously pushing to expand the business into new areas.

Can you provide perspectives on how your profits, revenues and operating margins have compared between your local UK business and business in India over the past three years?

Our worldwide figures for the past couple of years were:

2006 Turnover £331m, profit before tax £12.0m

2007 Turnover £388m, profit before tax £28.9m

Our Indian figures for turnover were and are budgeted as follows, we do not separately work out profit by country:

2007 India turnover £3.1 million

2008 India turnover £3.9 million

2009 budget for turnover – which we do expect to achieve £7.2 million – achieved £2.8 million by end May.

What impacts (if any) have you experienced as a result of economic downturn in the UK and India?

In both India and the UK there has been some down turn in Maritime and property businesses. However in both countries water, environment and transport work has remained buoyant and we continue to do very well in these sectors in both countries.

Do you feel that your company has been more or less severely impacted by the economic downturn in the UK as opposed to India? If so, why do you feel that your operations in India have been more or less effected?

No as above, our core and major businesses are not that impacted. In India we have been particularly lucky to win some major projects during this period which have significantly increased turnover for us. We expect the spend on infrastructure to continue to increase in India but probably to level out in the UK in the coming years.

Does your business operate in China? If so, could you tell us more about how your experiences of doing business in China differ from that of India?

Yes but we only have a small business in China and this is not growing to the same extent that our Indian business is.

What is your candid view on future opportunities within India for your business?

Huge. Halcrow's plan is to grow our turnover by 3 times from 2007 to 2018 worldwide,

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and within this for Halcrow's business in India to grow from 1% of turnover to 10% of turnover worldwide. This will require massive growth and we are currently planning and gearing up for this. The next phase will be to open two further offices in India in addition to the two that we have in Delhi and Mumbai, in order to increase our regional coverage both to clients and for hiring staff,

What advice would you give to other mid-cap businesses in the UK looking to do business in India?

Plan well, based on sound market analysis. Particularly ensure that your business plan fits with the Indian levels of costs and returns. Ensure that you can get the key staff required to run the business in the way that you would like to have it run. Employ good commercial managers who understand the Indian rules and regulations. These are often quoted as a difficulty in doing business in Indian but in fact can be easily managed so long as one employs sound staff who understand the complex bureaucracy.