# Interview: Dave Murphy, CEO, PM Group Ireland

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Tags: PM Group,

**Mr. Murphy, you first joined PM Group 24 years ago. How has the company, and the market, changed?**

My background, prior to joining PM Group, was in the pharmaceutical industry—I worked for four years for a contract manufacturer in Ireland. That manufacturer's story is an interesting reflection of where the industry has gone here. It was a very small company—35 or 40 people—producing pharmaceutical intermediates and end-products for its clients. I left the organization to work for what was then a small, 70-person engineering business called Project Management Ltd., which was starting to do a lot of work for the pharma sector and was looking to hire chemical engineers in design roles. The contract manufacturer, meanwhile, began to fill orders for Warner Lambert, for a drug called Lipitor.

More and more stages of the production process for Lipitor were transferred to the contract outfit—until Warner Lambert decided to actually buy the operation. Warner then bought another contract manufacturer in Cork, and through the acquisition, began manufacturing all of the world's supply of Lipitor via two Cork plants. Warner Lambert, of course, was ultimately acquired by Pfizer. The tiny plant that I worked for in the late 80s wound up being involved in the production of every pill of the biggest-selling drug in the world.

When I joined PM Group it was, as I said, a small company. However, it was already working mostly for multinational clients. The growth that we've achieved has predominantly been fueled by servicing multinationals, and in particular it has been fueled by servicing the pharma sector.

We have seen our client list shrink throughout the years due to consolidation and merger. For instance, where there was Pharmacia, Wyeth, Warner Lambert, and Pfizer, there now is only Pfizer. Where there was Merck Sharp and Dohme, Schering-Plough, and Organon, there is now Merck. M&A has impacted the industry in Ireland hugely over the last ten years.

On the other hand, we have seen a huge wave of investment from the mid-90s through to the mid-2000s, predominantly in manufacturing facilities. That wave has waned now—but we are seeing more investment in research and development. Many players are building process R&D centers, pilot plant facilities, etc. in Ireland. We see a lot of investment in brownfield facilities: the industry must constantly refresh itself, and as such, much work is being done to upgrade plants, improve standards, and etc.

Whereas for quite a while, investment in Ireland's pharma cluster was driven by the need to increase production capacity to support blockbuster drugs, today much investment is driven by the need to make plants more flexible, and more multi-product.

Companies are also looking at their entire networks, and trying to optimize supply chains. There is a huge focus today on the supply chain—rather than just on manufacture, manufacture, manufacture. Companies are asking, where is the best place to produce from a cost and efficiency standpoint? Where is the product going next in terms of filling, finishing, or the ultimate market? A lot of the science, now, is going into that.

As PM Group, we grew into the largest EPCM player in the Irish market. And over the years, as we developed relationships with companies like JnJ and Pfizer, we followed them to overseas markets. We developed a much deeper understanding of their business, to the point where we became seen as a preferred partner. This idea is key for us: our work for them is not just a transaction. Rather, we are seen as a partner, and we are seen as a partner in markets all over the world. We have been involved in some of the landmark global projects in the pharmaceutical sector.

Some of our larger competitors—Jacobs Engineering, CH2M HILL, and others—are quite diversified in terms of the sectors they serve. We are considerably more focused on our niches, and principally serve the pharmaceutical, food, and medtech sectors. This is where we bring a lot of value.

**When accepting the Best Large Company Honor at the Engineers Ireland CPD (Continuing Professional Development) Awards in 2012, you said, "our CPD program was recognized for enabling us to adapt to a rapidly changing environment as we shifted our work base from Ireland and internationalized our company over a relatively short time period." Can you tell**

**our readers more about your internationalization experiences?**

We first began to internationalize in the late 1990s, when we opened subsidiaries in the UK and Poland. However, it was not until the mid-2000s that internationalization became a key focus for the company. We were looking to diversify, so that we could become less dependent on the Irish market, and less dependent on the pharmaceutical industry.

We had seen the winds of change coming in this country, and we were fortunate to have adopted the international model when we did: in the later 2000s, FDI dropped off dramatically in every sector where we were active. In the pharma sector, in particular, investment declined because of the patent cliff, because of slow approval of new drugs, because of cost pressure put on the industry by world governments, and etc.—all factors that were much-prophesized. The industry is not investing at anywhere near the level that it invested at five or ten years ago.

As a service provider, we had to adapt. We pushed out into other regions, and other sectors, based on the skills we had. Food, for instance—particularly high-end food—was an obvious choice for diversification, because of its similarity to the pharmaceutical business from a compliance perspective. We have taken our work with this industry into Asia, for example, where we have been involved in facilities in Singapore, and China, where Pfizer built the world's largest baby food plant.

Maximize your skill set, follow your customer: these ideas are key to our strategy. We moved into Singapore five years ago, and followed with an office in China and India. Two years ago, recognizing that the bulk of our clients were headquartered in the U.S., we fulfilled a long-held ambition and set up offices there—we now have an office on the West coast in San Jose and on the East coast in Boston.

**PM Group announced 400Mn USD worth of project wins in China just last year. Are you satisfied with how the company has performed abroad?**

Absolutely. Asia has been our fastest-growing market—China in particular—but all of our locations have enjoyed a good deal of investment from our MNC clients recently. We have only been in China for two years, and already have 70 staff members there. We are very happy with our progress there.

We have 20 offices in total: two are in Ireland, and the others are in international locations in UK, Europe, USA and Asia.

**A common theme of our report has been the fact that the stream of FDI into this country some years ago created a local ecosystem of indigenous organizations that first grew by**

**serving those FDI players, and later went on to become international competitors in their own right.**

This has indeed been our story at PM Group!

**In 2007, PM Group made its first significant acquisition, that of Devereux Architects. The merger was followed in 2009 by the acquisitions of Dewjoc Architects in 2009 and Greene Engineers in 2010. How did these moves change the company, and what were the lessons PM Group learned about how to properly execute mergers?**

The acquisitions were driven by our need to diversify. Devereux's business was primarily based in healthcare in the UK—designing hospitals and other healthcare facilities. Projects in this sphere are generally funded by governments. The acquisition of the company complimented our competencies in the life sciences, and also allowed us to build relationships with public-sector clients.

Acquiring Dewjoc, which we later incorporated into our Devereux division, also gave us greater exposure to the public sector because of its focus on education projects.

Greene worked predominantly in the advanced manufacturing and cleantech sectors. We felt that the integration of Greene into our organization could help us bring additional value to our clients in California.

What did we learn from the acquisitions? We learned that acquisitions are not easy! You really have to understand the market that you're going into—not just the company you plan to acquire, but also the market in which it does business. You can never do enough research. Another lesson we learned is that the sooner you integrate the new business into your own organization—your own systems, management, and etc.—the better. To do that, you have to roll your sleeves up and set very actively involved in the process.

**The PM Group is an organization that today employs 1,800 people across 25 countries. How do you ensure that an organization of this size does not become unwieldy—that it does not lose track of its culture, its focus on customer service, or its flexibility?**

We reinvest a significant amount of our profit back into developing the company: technical development, management development, and personnel development. We try to ensure that when we move, we move in an orderly fashion. We employ very good governance and HR systems across all of our businesses. Most of our managers working abroad have come out of our longer-established offices, and they bring with them the knowledge and experience—and the ethos,

values, and culture—that we have built over the last twenty years of our growth.

**Have you found that your clients today prefer a service provider that becomes embedded in their business, or one that delivers service at arm's length?**

Increasingly, clients want to deal with fewer suppliers, in order to reduce complexity in the supply chain. They want to have a small number of quality partners, and they want to employ the same partners globally. They prefer to collaborate with companies that can service them in all of their markets. This drive was an important factor in our own internationalization, because if we were only able to serve our clients here in Ireland, we would have been dead in the water.

**The pharmaceutical industry is today focused on cost with an intensity that it has never experienced in its previous history. What does that mean for you as a service provider?**

There are two factors here. The first is that when a client is considering the construction of a new facility, they want to make the decision as late as possible, and they want the capability to be delivered as quickly as possible when the decision is made. This is because the future of a pharmaceutical company is driven by drug approvals, and because of cost pressure, they cannot afford to invest at the levels of the past—hence, they want to de-risk any investment as much as possible. We need to deliver on this need as a service provider.

The second factor is the cost of the facility. Those of us designing and building those facilities have to ensure that we are not over-designing: that the plant is fit for purpose from a quality perspective, but that it is also cost-effective. Cost effectiveness must then extend to our own fees as an EPCM company.

**The PM Group has said that 'innovation is fundamental to its thinking.' What does that mean to you? What does it mean for an EPC company to be innovative?**

Innovation is in everything we do. Most people think of 'innovation' in terms of technical innovation: furthering the design of processes and equipment. But we have also innovated in other ways—taking three months off of a schedule, for example. There are many ways to do that. We can innovate in facility design, making the job cheaper, and quicker, while still meeting all client criteria. Technical innovation is important, but saving capital cost, improving execution, and improving timeframes can be equally innovative, and just as important.

Pharmaceutical companies used to retain the competency for designing and building facilities in-house. But as time has gone on, most companies have increasingly outsourced non-core competencies. Therefore, it is increasingly up to their partners to innovate in this sphere.This is something we excel at.

**In 2011, it was reported that a fall in property values, coupled with restructuring costs, drove revenues at the PM Group down by 16% to 175.8Mn USD. How did the organization fare in 2012, and what are your expectations for 2013?**

2012 was a much better year for us. Revenues grew by 12%, and profits grew by 20%. We engaged in a program of restructuring and cost-cutting thatmade us leaner and more effective. Going into 2013, we have the strongest order book that we have had in the past four yours.

**Is the Irish market performing well?**

It is. Ireland was difficult in 2010 and 2011, but it very much improved last year because of an upswing in FDI that looks like it will continue into this year. We are also quite busy in Belgium and Asia.

**What part of its success would you say this company owes to its Irish roots?**

Ireland is where we were founded, and where the company grew up. It’s where we built our culture. We have exported that culture to our affiliates around the world. However, the idea is to increasingly localize each affiliate as time goes on, from the top manager down. That is a journey that we’re on today.

**What is your final message to our readers?**

Ireland’s economy is driven by exports. It is a small island with a small market, so as businesses, we have to generate goods and services that are marketable internationally. Whether it’s pharmaceuticals or EPCM services, we have to create value on the global stage. Being dependent on the vagaries of any one economy is not a good recipe for any company.

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