



**CONFIDENT:** Jim McArthur

## Forging a concrete career in building industry

**EVEN** though Jim McArthur considers himself a Scot he was actually born in Windsor in 1949. His parents met there during the Second World War and although they lived in Glasgow, his mother went back to Windsor to be closer to her own family prior to the birth. The family set up home in Clydebank before moving to Easterhouse. As there were no schools on the estate at the time McArthur was sent to Whitehill High School in Bellgrove. From there he went on to the Glasgow College of Building and Printing and studied for a diploma in quantity surveying, which he completed in 1971. He launched his career with a spell at Gordon Harris and Barton in Glasgow and went on to the National Building Industry in Edinburgh less than a year later. In 1974 he joined Hardies for the first time. This first association with the company was fairly short-lived and he left to become a lecturer at Dundee College of Technology. After six years there he was asked to join the new Hardies office opening in St Andrews. McArthur was made a partner in 1988, and named managing partner in 1994. Since then the firm has doubled in size from four offices to eight. Having based himself in St Andrews, golf is a favourite past time and he plays off a handicap of just one. He is on the committee of the Fife Economic Partnership, and sits on the board of the Arts and Theatre Trust for Fife, the St Andrews University Students Association, the Tayside Construction Forum and the Championship Committee of the R&A. He is married with two grown up daughters, and became a grandfather in 2008.

Jim McArthur, of Hardies, says his firm has suffered during the recession but is buoyed by the positive signals in the housing sector

By Scott McCulloch

**E**VEN for strong businesses recessions can be brutal. This time around those involved in the construction sector have had one of the roughest rides.

Jim McArthur, a quantity surveyor for close to 40 years, is not ashamed to admit the last two years have been the lowest ebb in an otherwise long and fruitful career.

For the past 14 years he has been managing partner with independent surveyor and valuers, Hardies, but his association with the 97-year-old firm goes back three decades.

The most recent chapter involves survival in a barren marketplace for anyone in the construction sector.

Hardies has eight regional offices around Scotland employing around 80 staff. It is a firm people happily spend their entire career with and many have.

So when the worst recession McArthur "can ever remember" arrived, the business was suddenly taken from consistent profitability spanning generations to teetering on the brink of collapse – all in a matter of weeks.

McArthur said: "We are definitely at a cross roads at the moment but I think we have managed to get through the last year or so only because we have such a diverse offering and regional offices from which to tap into regional demands and move accordingly.

"From the middle of 2008 the residential market really just went over a cliff, and what was so frightening was the fact we went from fairly buoyant to nothing, practically overnight.

"We were completely caught out by the speed of the decline in the property market, and we had to undergo a pretty painful readjustment in terms of job cuts and diversification just to stem the rapid drop off in business.

"I'm old enough to have lived through two major recessions in my lifetime but nothing quite like this.

"There have been property slumps in the past but this one took us all by surprise as it happened so quickly. We were all caught out by the suddenness of the money tap being shut off. The speed at which that happened was amazing.

"In July 2008 we saw a drop in business of 50 per cent – just like that! – which was eye watering. The next month was pretty much the same, which had us rushing into damage limitation behaviour.

"We had to completely dissect our cost base, down to the pound, shilling and pence level and take some radical action just to survive."

That process was far from easy especially given the long service of a number of staff.

McArthur said: "The most distressing part was having to make some job cuts because we are a very tight-knit firm with the majority of our employees having been with us long-term. We didn't lose any of our qualified surveyors, who we have invested so much in in terms of training and development, but we did



# Job security seen as attracting people

lose staff. We had to cut hours and reduce salaries in order to keep ourselves afloat.

"Our staff really have been incredible thorough all of this. They are all aware of the need to ensure every client is a prisoner and we are giving them the right service and react to their needs immediately.

"That has helped us to retain a significant proportion of our client base at pre-credit crunch levels."

McArthur admits even with the cuts in place salvation came in an unlikely form when Home Reports were introduced to the Scottish market in December 2008.

While some saw the legislation as another burden on the struggling market it provided a flow of work for Hardies'

property valuation team which had been struggling since residential sales dried up.

But with 75,000 reports completed in the first 12 months Hardies would not have been the only firm to benefit. MacArthur said: "There are three areas of the report – the single survey, the energy performance certificate and the property questionnaire. When they brought in these energy performance certificates we got literally swamped with requests.

"It was a really lucky break for us as most of the demand came from people who were renting property and had to produce an energy performance certificate as part of the lease agreement.

"That work essentially saved this firm because we could keep the chartered valuation surveyors busy at a time

when their side of the business had just disappeared. We got through December, January and February of 2009 purely by the work we were getting from these energy performance certificates.

"By then people became a lot more confident about the system and by March 2009 the Home Reports were really taking off to such an extent we went from the brink to actually being back on track on the residential property side.

"During that period, the construction side of the business was actually doing quite well, which caused a huge management headache because the property guys were the ones seeing the workload dry up overnight and they were taking salary cuts and a drop in the hours they worked. But the guys sitting oppo-



**POSITIVE:** Jim McArthur, managing partner of Hardies, says this recession has taught him to keep a close watch on income and expenditure

## seems to be returning which people back into the market

them couldn't cope with the workload they had and that was difficult because you could see some resentment creeping in."

With most of the quantity surveying construction operation tied in to public sector and PFI/PPP agreements much of the work was ring-fenced.

However, with wide-spread public sector spending cuts expected McArthur is uncertain how long the workload will be sustained for.

He said: "Most of our clients are either local authorities, health trusts, universities and public bodies so the spending for their development projects tends to be ring-fenced to bring a programme of work in on a set budget. But the future of public work is a lot less

certain, because I can see the public bodies now bringing a lot of that work in-house in an effort to retain jobs.

"I think there is a real opportunity for the local authorities to get on with meeting their new housing targets at present, because in terms of getting value for money there has probably never been a better time. But with all the housing sector budgets about to be cut that will probably end up being an opportunity wasted.

"The Commonwealth Games projects will be hugely important for so many firms and the competition for that work should bring better value to the project."

In a rollercoaster time Hardies has come from the brink of collapse to a tentative forecast of at least flat revenues

for the year ending 2009. A more hopeful McArthur is confident the market is on the mend.

He said: "We scraped through 2008, and for the year 2009/10 we are roughly on target to reach around £3.7million in turnover – which considering the drop in the market, I'm very happy with.

"We have dropped our targets by 10 per cent for the year but we have seen some positive signs things are starting to get moving again, albeit slowly.

"The indications we are getting from a lot of existing clients are 2010 and 2011 will be very difficult years. But this recession has taught me a valuable lesson. That's not to wait for the quarterly statement from the accountants. I know at the end of each day now exactly how

much money we have coming in and how much we have in the bank.

"There's no expensive cars outside our offices and we have cut our hospitality budget right back to the bone."

In the quiet weeks Hardies' staff have been busy upskilling and re-training, which McArthur admits was a huge cost "but a good investment".

However, he firmly believes having expanded their skill set the staff will be better equipped to take advantage of new opportunities as the economy improves. He said: "What we have done is to always follow the legislation and base retaining and professional development around those changes in order to be first in line with the expertise when the projects are awarded. We were at the

forefront of the CDM Co-ordination building certification legislation in 1994, and we have been generating good revenue from our expertise in that area ever since.

"The energy performance certificates we see as also being a potentially good source of business for us. People are also generally surprised to hear our residential property valuation side of the business had a very good year in 2009.

"There is still a lot of activity in the housing market at present, and a lot of property on the market. For a while it was investors coming into the housing market looking for a safer haven for their savings but job security seems to be returning which is encouraging people back into the housing market."