

Building a Home

BMD Group has become a home for the 1,700 employees who work across its nationwide operations. Its family culture, commitment to community involvement, and exceptional portfolio of projects have made BMD a prominent player in the Australian market.

Images courtesy of BMD GROUP

What started as a small Queensland family business with only three employees has grown to become one of Australia's largest privately owned construction, consulting, and urban-development organisations. Despite this amazing growth—with the company consistently doubling its turnover every three years—BMD has retained its cohesive family culture.

BMD Group's 1,700 employees are stretched out across its offices, with the company boasting a presence in North Queensland, Darwin, Melbourne, Sydney, South Australia, and Western Australia. These employees, more than 55 of whom have been with the business for more than 20 years, are engaged in engineering design, construction, and land development for clients and partners in the urban-development, transport infrastructure, and energy and resources sectors. With a ranking of 36 in *BRW*'s Top 500 Private Companies list, BMD Group has come a long way since opening a small office in Queensland.

The CEO Magazine spoke with BMD Group's founder and Managing Director Mick Power, AM, about the growth of the

company, its exceptionally strong relationships with staff and suppliers, and its bright future.

***The CEO Magazine:* What inspired you to establish BMD Group in 1979?**

Mick: I guess it was more about a lifestyle change for me. I was working for Leighton Contractors as a cadet. I believe I was actually their very first cadet engineer that they employed in the late 60s. During my 11 years with them, I was very much at the forefront of Leighton Contractors' early foray into the coalfields at the Bowen Basin. We were working up there for some very big companies.

I was spending weeks at a time away from home, and my wife, Denise. I had a young family with two boys, and my daughter was to come in the late 70s. We had the two little boys and I'd be away for two weeks and home for one. That was a bit tough in those days. In some situations on site, I'd be living in camps.

I'd also been working on the Gold Coast for companies like the Hooker Corporation, Bruce Small Enterprises, and some major developers, and looking after subdivisions and those types of projects for Leighton on the Gold Coast.



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Leighton decided that they would no longer be involved in subdivisions, and a lot of the major contracting companies came to the same conclusion, like Thiess and John Holland. These businesses all started doing a few subdivisions as well as the infrastructure, and then dropped off subdivisional land development in pursuit of major infrastructure works.

When Leighton decided to do that, I saw an opportunity to fill a gap, and that's exactly what I did. I set up BMD in 1979 to effectively take over the work that Leighton exited from. That was all this large subdivisional work for the likes of the Hooker Corporation, which was the largest developer in Australia at that time, and Bruce Small, who was doing a lot of work on the Gold Coast.

I slotted in there nicely and set up BMD with myself, one foreman, and my wife as our bookkeeper, and rode off into the sunset with stars in my eyes. It was very much a lifestyle change from being a senior manager at a young age with Leighton to getting back on the tools. From Friday to the next Monday, I went from being one of the bosses to being one of the workers in the field with a foreman.

I guess that's what drove me: to set up my own business and >



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change my lifestyle from being away from my home and young family, which I wasn't enjoying, to becoming my own boss and working long hours; but at least I could go home every night.

How has the company developed and evolved over the past three decades?

We set out as a simple services provider to the development industry, servicing the large developers like the Hooker Corporation, which today exists as Australand. We then extended that to the likes of Stockland and Delfin, which is now Lend Lease. From there, we set up our own in-house design capability, which then led to doing some developments in our own right which didn't conflict with these large clients that we had. We're very fortunate and selective in whom we work for.

However, this was all in the Gold Coast, Brisbane, and Sunshine Coast areas. Therefore, it was a natural progression as we grew to spread our wings geographically

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into North Queensland and Darwin, then into Melbourne, Sydney, South Australia, and Western Australia. All of those centres have progressed naturally as we've expanded geographically and grown our offering and our expertise.

During that time of expansion, we also developed our own major infrastructure project division, which started out as the little brother of the company, as we did more subdivisions than highways. But all of that has changed dramatically over the past five to 10 years, where the major component of our business is now large-scale infrastructure. Unlike the big companies that I mentioned before, we still have a very strong capability in the subdivisional development side of things and, arguably, we'd still be Australia's largest provider of that service to the development industry.

What are your greatest achievements as founder and managing director? Have there been any recent notable projects?

We've got some very significant projects that we've been involved in, both on the urban or subdivisional side and on the infrastructure side of things. For example, we ended up doing 20 years straight without a break for the Hooker Corporation out in the western suburbs of Brisbane on a development called the Centenary Estates. To do all the work for the Hooker Corporation in one area over 20 years was a big achievement.

Today, we're involved in large projects like the Legacy Way tunnel in Brisbane, which is a major \$1.5-billion tunnel from the western suburbs of Brisbane through to the Inner City Bypass towards the airport. We've gone from doing half-a-million-dollar subdivisions to \$1.5-billion tunnels; that's something I'm very proud of.

"Developed over many years, our partnership has been built on a foundation of superior customer service, safety leadership and mutual respect for long-term relationships. Both companies have achieved strong growth across Australia through the delivery of many successful projects." - Leigh Ainsworth, CEO, Coates Hire

However, I think the most important thing that we've developed over the years in BMD has been the culture. We've been able to preserve the family company culture that existed in the late 70s when we first set up BMD. The company was turning over less than one million dollars a year and employing just half a dozen people. Today, we employ 1,700 people across Australia and we turn over \$1.3 billion per annum, but we've maintained that family culture.

How do you maintain that family culture?

Along with the culture that we've developed, I'm very proud of the fact that we have around 55 people with more than 20 years of service at BMD, so we have a very low turnover of staff. For instance, in the banking industry, a company might turn over around 10 per cent of their staff as a rule of thumb each year. BMD would have a staff turnover of around 1 to 2 per cent, and it always has been that way.

It means that you've got a very loyal workforce. Loyalty is a two-way street, and I always try to remember that. When you've got a lot of people who've been here for a long time, they sort of continue the legacy. They take over the education and maintenance of that culture that I'm so proud of. They seem to be able to continue that legacy of loyalty and the strong BMD culture that is epitomised by what we have on our number plates across Australia, which is 'BMD: Our business is our people'.

With operations across Australia and approximately 1,700 staff, how do you engage employees across the group?

We're very fortunate that we have a lot of long-term staff who are prepared to be quite transient. In other words, they'll go where >



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they're required. They might be based in Brisbane, but they're prepared to work in Canberra, South Australia, or remote areas of Western Australia. When you have people who have been with you for a long time, particularly those who have been with you for more than 20 years, they are the ones who continue to promote and enhance that culture I'm talking about. They are the ones who assist in growing that strong sense of culture and loyalty, which is one of the trademarks of that culture.

How do you work with suppliers and strategic partners to deliver exceptional projects?

That's another case where it's about absolute loyalty, as far as BMD is concerned. For example, Humes is our supplier of concrete pipes, who are now owned by the Swiss conglomerate Holcim. They were the first account that I ever opened in 1979 because we were building subdivisions and we needed to buy the concrete pipes for the drainage of these estates, so that was one of the first orders I had to place.

They put their faith in me. There's a big difference between being a senior manager with that large and well-respected company behind me at Leighton to then ask them

to supply to me with no credit rating other than their knowledge of me and their experiences of working with me at Leighton. I'm very proud to say that 34 years on, we've only used Humes concrete pipes in all of our works around Australia. We don't compromise that loyalty.

We have a similar relationship with Boral, the Australian concrete, quarry, and asphalt company. We've had an ongoing relationship with them for 34 years, which started here in South-East Queensland, and we've been able to translate that same relationship into all our other centres like North Queensland, Darwin, Sydney, Melbourne, Adelaide, and Western Australia.

I think—and the people that we deal with tell me—that these relationships are unique. They don't have anybody who has that same absolute loyalty towards a supplier, and obviously I feel that some significant competitive advantages have come out of that. We're competing in the big arena now, and while we may not be the largest customer of these major supplier organisations, you'll find that we'd be in the top three consistently. We're a much smaller organisation than Leighton or Thiess, but we

have unique relationships with our suppliers.

You are on a number of boards, including the South Bank Corporation, Queensland Performing Arts Centre, and the Brisbane Lions Football Club. What inspired you to get involved in these boards?

The Brisbane Lions is one where I got involved because of a relationship that I developed, outside of football, with Leigh Matthews, the famous football coach. He and I are very good friends. He got me involved with the Brisbane Lions.

In all of the other boards, which are mostly charity boards or government boards, it's more out of a sense of community. Without sounding corny, I genuinely feel that I can make a real contribution in some of these areas.

For example, the Mater Children's Hospital was raising money for very important cancer research. I also got involved with the Children's Hospital burns unit, which is something that I'll continue to support in the future. Anybody that's done a tour of the hospital and seen the burns unit, particularly with the little kids there, has their heartstrings torn. >

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It's more out of a sense of community that we do a lot of these things. It's something that we encourage.

We are a company that undertakes a range of jobs, from small jobs worth half a million dollars to large jobs like \$1.5-billion tunnels, so we have a broader and more diverse base of working locations than some of our competitors. We work in a lot of different, small communities. We encourage our staff in all of those locations to get involved with the local community. It's almost like everybody who walks in the door gets \$500, whether it's a flower show or little athletics. It's all part of being a valued element of that community and adding something, as well as giving back instead of building and then getting out.

That approach probably reinforces your family culture, doesn't it?

It certainly does. As I said, we encourage it at the highest levels of management and we encourage our people. Even though it's a little ad hoc at times, just prior to the GFC, we looked at establishing a foundation.

As times start to settle down now, we'll revisit that. I'd like to think that we could get our staff involved so that the significant amount of money we spend, which at times can be up to a million dollars a year on these sorts of charities and sponsorships across the country, can get a little structure around it and make it a little less ad hoc. It'd be good to have the staff intimately involved in making the decisions about where the money goes.

Where do you see BMD Group and the industry going in the future?

I think BMD is at a very interesting point in our development. Due to the fact that we've become such a large, privately owned group, I

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have heard it said that we're the largest construction and land development company in our sphere of operation. I guess it becomes an interesting proposition going forward as to how we continue to fund the sort of growth we've experienced.

An interesting statistic from BMD is that since we started in 1979, we've doubled our turnover every three years. If you look at where we are now in this financial year—the 2013 to 2014 financial year, where we're budgeting to turn over around \$1.3 billion—it's very hard to comprehend that in three years time we'll be turning over double that amount. Having said that, three years ago when we were turning over \$600 million, I didn't think we'd be turning over \$1.3 billion. But here we are and we are doing that.

I guess the challenge becomes, as a private company with Denise and I being the only shareholders: how do we fund that growth? So there are some interesting challenges going forward. The obvious is always available. I guess at the right time you'd consider floating the company, but that hasn't been a high priority for me, mainly because I don't see myself as that sort of individual who would be answerable to the analysts and all those corporate responsibilities that come with a public company. So I don't think floating the company would be a high priority.

There are other ways that we could fund our future growth, and that would be through some form of sell-down of part or the entirety of our business. We've had some

approaches over the years which have got very close to conclusion, but just not quite there. We wouldn't rule out that happening again. International players have shown interest in purchasing or buying into the BMD business.

Along with that, I'm very fortunate to have both of my sons and my son-in-law now working in the business. The succession plan is very much in place, and it's very pleasing to see your children come through and not only have the capability but the desire to take the company to the next level as we grow. It's a big challenge, and we discuss this all the time—how we really have to, as a family, have our eyes open to those challenges and the potential pitfalls.

The experience over the past five years with the GFC, as much as we could have done without it, in a lot of ways has been a very good learning curve for a private company like us that competes with the large, public companies. It's helped us to understand the levels of discipline needed, and what's required to be successful in a highly competitive industry like construction when you're a private company.

Do you have any final thoughts?

Only that I was very honoured to get the call from *The CEO Magazine*, and that a lot of our long-term partners have come on board to support us. I thank you very much for the opportunity, and I thank all of those people who have been our long-term partners for their continued support towards what we see as a very bright future. ●

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