

AL-MUHAIIDIB CONTRACTING COMPANY

RIDING THE THIRD WAVE



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Saudi-owned Al-Muhaidib Contracting Company is focusing on its home market and the provision of large-scale projects to cater for its booming economy and population

WRITTEN BY: RUARI McCALLION
RESEARCH BY: RICHARD HALFHIDE





Excavation on sea outfall project

The so-called ‘developed world’ may be facing economic slowdowns and currency turmoil but activity in Saudi Arabia is sufficiently vigorous for Al-Muhaidib Contracting Company to refocus on its home country and reduce the distractions of international exposure.

“We have a presence in Qatar but we are in the process of downsizing that,” says Eng Ferras, managing director of Contracting for Al-Muhaidib. “The Saudi market is bigger than that of the Gulf States and it is more stable. The business environment in Saudi is much better, also: we have found that there are quite a lot of bureaucratic hurdles in the Gulf States and some of the legislation has a negative effect on construction.

There are also logistical challenges and bottlenecks in the ports where materials are brought in.”

To an outsider, whose image of the Gulf States is of one major construction project after another, that sounds a bit strange; but when the nature of the markets and economies are explained, it becomes a lot more understandable. In essence, some of the Gulf States have focused on becoming ‘entrepot’ or ‘hub’ economies; in Saudi Arabia, the growth is more indigenous and more firmly rooted.

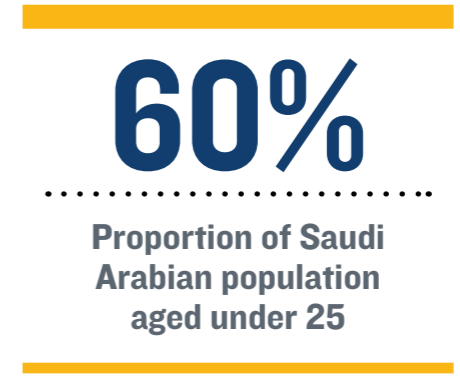
“We have had a baby boom in Saudi Arabia; 60 per cent of the population is under 25. There is a need for expansion of

housing and the infrastructure required to support the growing economy, which is helped and stimulated by the price of oil,” he explains. “The government is spending and investing a lot of money, and on large projects. We are now in the position of bidding mainly for projects in excess of SAR100 million to SAR150 million (US\$27 million to \$40 million).”

There are also, to be fair, some barriers to foreign entry to the market, which is to the advantage of Saudi-owned companies like Al-Muhaidib, which was founded in 1977 and is a wholly-owned subsidiary of Abdul Kadir Al-Muhaidib & Sons Group. Since it was established, Al-Muhaidib Contracting Company has been involved with the construction of residential and commercial buildings,

offices, hospitals and schools, and infrastructure projects such as sewer lines, water lines, wastewater treatment plants, water purification and desalination plants. Most recently, it was awarded a contract for the King Abdullah Sports City. It has been a good few years for the company.

“Our actual growth rate for the past three to four years has been around 40 to 45 per cent,” Ferras says. The company now employs around 8,000 people and has revenues in excess of SAR1 billion (\$270 million). Its aim is to double its sales turnover in the next two years. That is a formidable challenge, to its management, its structure and its skills base.



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Aerial view of piling works

“We are actively upgrading the skills level of our first line of management,” says Ferras. “We have brought in external consultants to help us. Booz & Co, an American company, have a lot of experience in construction and they have benchmarked us against other companies in the same area. Two years ago, we were swimming in a different ocean; we are up against a completely different set of competitors, now.”

As part of its restructuring to enable it to rise to the new demands, the company has established a Strategic Planning and Performance division. “The new division works with senior management to create a

dashboard for KPIs; we have been putting in a lot of work on monitoring, engineering and design.” Al-Muhaidib has also worked on joint projects with companies such as Vinci Construction (which acquired Taylor Woodrow) and Belgian company, B6. “We are working with B6 on a major joint venture project at the new Sports City, where we will be building the water reservoir with Vinci.”

Other significant contracts are for new education and administration facilities at King Abdulaziz University and at Prince Abdullah Bin Abdulaziz Hospital.

“We have been doing a lot of work with Saudi Aramco, on sewerage and water

8,000

Number of Al-Muhaidib Contracting Company employees



Discussions on-site



Piling works in progress



Marine works

“WE WANT TO MAKE MORE USE OF SAUDI CONTRACTORS AND CONTRIBUTE TO THEIR GROWTH ALONGSIDE OUR OWN GROWTH”

infrastructure, on bridges and on cultural elements, as well as in some petrochemical plants in the oilfields,” he continues. “We recently built some 120,000-tonne grain silos in the port of Jazan, which are located to receive ships that will berth and unload directly into the silos. We are bidding for another two similar projects.”

However, an organisation has to be healthy and well-structured throughout

its value chain: it is not just about the top end. Training, from apprenticeships to management courses, has become part of the company’s ethos, and it is quite happy to encourage people it has invested in to go and start their own, complementary businesses. Saudi Arabia has many smaller companies and subcontractors, who did well during the last boom, which started in the 1980s, but suffered badly when

the tide turned and foreign construction companies retreated, leaving the subcontractors heavily committed to the equipment they had bought, for example. Al-Muhaidib recognises how useful sub-contractors are in enabling it to flex its resources to meet demand, but it is more involved with its suppliers and actively seeks to help them develop firm business foundations.

“We want to make more use of Saudi contractors and contribute to their growth alongside our own growth,” Ferras declares. The company has helped smaller companies to buy new equipment and even to audit their accounts. “We do not take a stake in these smaller organisations; we simply consider that we have to reflect our growth in other

supporting businesses, to promote their growth as part of our differentiation from the other players in the industry.” He states that Al-Muhaidib works with a total of 483 smaller companies, ranging from plastering teams to plant and truck hire businesses.

“We pay them by performance, we are not just ‘angels,’” he explains. “In helping our community, in helping to grow these businesses, we benefit as well. It is like building an engine: and they fuel our growth. They are very loyal to us and we are loyal to them.” **BE**

For more information about Al-Muhaidib Contracting Company visit: www.muhaidibco.com.sa



**AL-MUHAIIDIB
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Hail Street
P.O. Box 9291
Jeddah, 21413

T +966 920026220
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