

News

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Moon Privatized Firm Michael Baker International Eyes Longer Term

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Two years ago, engineers at Michael Baker International worked on projects they never got to see in person.

Baker employees at the headquarters in Moon might be designing an Air Force base in the Southwest or a road project in California. Meanwhile, they would pass projects on their way home from work that the company ignored, said Dave Martin, senior vice president at Baker.

The company's new strategy is to look local.

"With the realignment ... we're looking for every single opportunity that we can find in the region and building those relationships with folks that we may have let lapse," Martin said.

A year and a half since it was taken private in an October 2013 deal, Baker has a new approach to winning business. Executives say they want to infuse workers with an entrepreneurial spirit and revive a company culture that they believe had become complacent.

The engineering firm, whose revenue was more than \$1 billion last year, wants all of its offices to dig deeper into their local markets — from Arkansas to Abu Dhabi — to put their array of expertise and services to wider use.

The local-first focus is reflected at the top. Next month, Baker will move its corporate headquarters from Moon to the top floors of Bank of New York Mellon Center, a decision intended partly as a symbol of its commitment to Pittsburgh and desire to expand its business in the city. The move will free room for expansion in Moon.

The strategy has been a year and a half in the making.

Baker was taken private in a \$393.8 million takeover by Integrated Mission Solutions, an affiliate of private equity firm DC Capital Partners.

Until that point, Baker watched its fortunes sag as government public infrastructure projects became more difficult to win. The company's 2012 profit plummeted 84 percent to \$2.8 million as a shrinking number of large federal contracts became not only more competitive but less certain amid budget cuts.

Infrastructure projects with federal, state and local municipalities still account for about three-quarters of the company's business, said CEO Kurt Bergman.

But Baker is directing local offices to think beyond what they might have traditionally done and find new sources of business, whether with government or commercial clients, within their geographic markets.

The mentality of its local offices had become siloed, as regional offices focused on specific markets — such as transportation — rather than all of the needs that Baker could serve in that region, Bergman said.

Michael Baker International

What: A firm specializing in engineering design, planning, architecture, environmental, construction and program management

Location: Moon

Annual revenue: \$1.07 billion

Number of employees: 5,423 (654 in Pittsburgh)

Executives: Kurt Bergman, CEO; Nicholas Gross, COO, International Operations; Jeff Hill, COO, United States; Brian Lutes, CFO; Dave Martin, senior vice president



"We're challenging everybody: Look at the market capability," Bergman said. "Map yourself out, find where you have voids."

This strategy reflects longer- term thinking that has come from being a private company, Bergman said.

Baker is not under as much pressure to chase quarterly profits and so can look to smaller investments that may not reap big, immediate rewards but whose returns will be realized over time.

The company continues to adjust to the merger, Bergman said, which he said is going "very well" even though it is still working to combine back office functions. Since shedding fewer than 50 support staff last year, the company intends to ramp up operations staff and has added 460 people since the beginning of the year, Bergman said.

Baker's ambitions have included looking at new ways of serving Western Pennsylvania's energy industry.

Until recently, Baker offered a relatively small suite of specialized engineering expertise. Now, Baker wants to be the primary designer for gas pipelines in the region and is getting involved in operational services.

Baker officials said they are working with one gas company — which they declined to name — to oversee operations at impoundments where fracking water is stored in Washington County.

In the past, Baker might have stuck to design services. Now, Baker is the eyes and ears for the gas company. Its workers monitor the site around the clock, helping to spot and unload trucks and to test the water, in addition to providing design improvements, said Chad Davis, an associate vice president of civil engineering and environmental services at Baker.

The strategy will help diversify and support Baker when certain lines of business get slow, Davis said.

"I think that we are much more in control of our own destiny right now," he said. "Within our group right now, I meet with the managers (and discuss): What kind of opportunities are we looking to pursue? What kind of work are we looking to get into?"

The East Liberty Transit Center represents Baker's growing ambitions. Baker is handling some construction management services for the \$127 million project at Penn and Centre avenues. Construction management is not new for Baker, but it rarely handled projects that large, Bergman said.

Baker has managed the project well, said Rebecca Schenck, senior project development specialist at Pittsburgh's Urban Redevelopment Authority, which is behind the transit center. Its expertise in dealing with federally funded projects has been invaluable in making sure the project is in legal compliance, she said.

"They've definitely been helpful in this project," Schenck said, adding that it was the first time she'd worked with Baker. "We would be interested in working with Baker again."

Building relationships with local officials and developers will take time, Martin said. Early response has been positive, he said.

"In the last year, we have met with more city and county officials, more boards and other organizations in Pittsburgh," he said. "The sense we're getting is, 'Glad to have you back.'"

Chris Fleisher is a staff writer for Trib Total Media.

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