Creating a Global Network: HDR + Germany’s TMK

In 2013, HDR acquired TMK Architekten • Ingenieure, a German healthcare architecture firm. We talked with Doug Wignall and Johannes Kresimon about what they’ve learned in the years since the merger, as well as the health of the market, the state of talent and the biggest risks to the German market.

**DesignIntelligence (DI):** What makes Germany an attractive market to a global firm like HDR?

**Doug Wignall (DW):** It is clearly the strongest economy in Europe. Its GDP growth has been at least as good as the U.S., or very close to it, for a sustained period of time. It also has a very strong banking system; our experience proves that you can almost predict your ability to get paid in a timely manner on the strength of a country’s banking system. Last but not least, Germany also has a long history of doing business ethically.

**DI:** What are the drivers of growth in the German market?

**Johannes Kresimon (JK):** Europe has a strong economy, and we are benefiting from being part of the European Union. The German public finance system is balanced, which is very unusual for most countries in the world, and the country is able to invest significantly in infrastructure and innovation. One major driver of growth stems from Germany’s decision in 2011 to close all nuclear power plants by 2022. A big portion of German power comes from nuclear power, Additionally, Germany made a decision to also shut down all coal-fired power plants by 2038. Together, these decisions have become a major driver for investments and innovations into alternative power sources. The state said they would invest 50 billion euro in carbon-dependent regions over the next few years, and we expect that private industries would also invest a lot of money to stay at the forefront of innovation leadership. The growth of GDP this year will be lower than expected—only 0.5% instead of the previous 1.9%—but we’re confident this is only a short-term shortfall, and that growth will rebound and continue to improve next year.

**DI:** What do you consider the biggest risks to the health of the German market today?

**JK:** The biggest risk comes from outside Germany. While the German economy itself is very stable, each political change in the European Union that impacts free trade between countries subsequently impacts Germany significantly—we’re very dependent on the possibility of free trade with all the countries around us. Also, for architecture firms like ours, it’s very difficult to find talented and qualified staff, which can be a problem, but can also be a driver for innovation.

**DI:** Can you tell us more about the state of architecture, design and engineering talent in Germany?

**JK:** With some obvious exceptions, Germany is not necessarily known for its high-design profile. We do have some very solid architecture firms, and I believe HDR is one of them. However, the design reputation of firms in nearby countries like Switzerland and Denmark is stronger. So when we talk
about German architecture competition, we are not just focused on the German market; we are also looking at architects like BIG in Denmark or Herzog & de Meuron in Switzerland. Prices are increasing significantly, and this year we experienced an escalation rate of more than 5%. This is a problem for many clients, and it is greatly impacting the market. At the same time, it’s difficult to find and recruit the right professionals in architecture and especially engineering. Some clients are challenged to find building engineering companies to perform design work because the market is so tight, and the resulting quality is low because the labor force is under high pressure. There is not enough good, intelligent staff to hire to work on the large number of projects available. However, we are benefiting from being a global company, with access to the top-quality talent and skill that resides in our sister offices in other countries. We are also benefiting from an expanded talent pool as the result of many refugees who have come to Germany over the last few years—these are skilled professionals that are now available to us to work on our projects.

DI: Would you say that the architecture, design and engineering educational system at the university level is developed enough to meet your needs?

JK: The big difference between now and 20 years ago is that there is less flexibility for students to work while they study. When I studied, I could work three days a week and go to university two days a week. That provided me with a lot of professional experience that a student today does not get. Instead, today’s students are going as fast as possible through university and don’t get exposed to real world experience in architecture or engineering. We basically have to train them starting from zero when they join us.

DI: What might the future of the German market look like in the next 10 years?

JK: I think a trend that has started and will continue is that the number of smaller architectural and engineering firms will diminish as larger firms from outside Germany will try to merge with German firms. This has been done not only by HDR, but also by the Scandinavian firm Sweco, which has purchased one of our competitors. The decision by TMK to merge with HDR seven years ago was a strategic one, made to ensure the firm could survive a changing market. Another industry trend I believe will increase is the ability to expand and work in more than one country. We don’t talk in generalities about a “European market” for architecture because it is actually composed of a number of different countries, each with specific market conditions. It will be an ongoing challenge for bigger companies like us to identify opportunities to expand into these other countries and adapt to their market conditions. Lastly, I expect the German market to continue to be stable for the long-term.

DI: What were the qualities that HDR and TMK shared that drew them together?

DW: What we were looking for specific to Germany was a firm with expertise that aligned very closely with ours, which meant it had to have a well-respected health practice to leverage our global health footprint throughout Europe. From a financial standpoint, we also believed it was a good time to capitalize on the German market. And finally, our experience has proven time and again that it’s critical when two firms come together that they have an “emotional” fit. Two firms will never be perfectly aligned, but it’s pretty evident during the many conversations that lead to an acquisition whether a culture fit is possible. With TMK, all of those boxes were checked, and it has since progressed into a very successful

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acquisition, growing by 50% or so since the onset. And while our German offices aren’t located in some of the larger metropolitan cities in Germany, we’ve worked together to grow respectably throughout the country.

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JK: TMK was the first architecture company in the health industry to take the big step of merging with an international practice. I think our competitors are happy that this has worked—we have good relationships with them and there is enough work for all of us in Germany—but I believe they were surprised this merger has worked out so well.

DI: Since the two firms have come together, in what ways has HDR, the global firm, and TMK, the local German firm, influenced the way that each other works?

DW: We had been doing business globally for quite some time, including in Germany, and we thought we had a solid understanding of the cultural differences between countries. But when you merge two cultures across all aspects of daily business, it did present some challenges that we needed to work through, from recruitment processes to employment practices to accounting procedures and career development. And of course, the language issue added a whole separate layer of complexity. We thought we were prepared for the language issue, and I actually think that we’ve done really well, but when you consider how many different forms of communication exist within a large company that need to be translated—it can seem overwhelming. In the end, though, when you work through those issues, it’s an amazing feat and I think all of our employees are better off for it—I know that I, personally, have a much deeper understanding and appreciation for each country’s culture.

JK: We received a lot of support from HDR and learned much from them, especially about data-driven design technology. This was completely new for us, and we were so lucky to have a group of employees in our German offices who immediately understood that this technology could be a game-changer for HDR here. So, we worked with our colleagues in the U.S. to adapt all the tools to Germany, and now our German team has continued to develop the tools so we can give back to the U.S. colleagues who first introduced us to the concept a few years ago. I also think HDR in Germany did help the organization become a truly global company. At the beginning, HDR was a U.S.-driven firm with some business outside its borders. This is vastly different from the global firm that HDR is today. It’s been a change of mindset for everyone in the company.

DI: Do you have any other advice to share on the process of bringing firms together?

JK: Companies like HDR that create a global network and are willing to work together with people all over the world make the world a better place. I believe that, from a long-term perspective, global companies that work in different countries will help ensure that there are less conflicts in the world because, to work successfully, we must learn to understand and appreciate each other’s different cultures. We begin to depend on each other. And once that happens, I believe it breaks down the kind of thinking that leads to serious conflict and war. I hope the fact that we have more global companies in the world means the world becomes a better place.

Doug Wignall is president of HDR’s architecture practice, which operates 42 design studios in six countries; eight of those offices are located in Germany.

Johannes Kresimon is managing director of the German HDR GmbH and senior vice president of HDR.