

Challenges faced by emerging and small consulting engineering companies

Observations and opinions of a Group CEO

Presented by Mbulelo Kona



Phunga Holdings



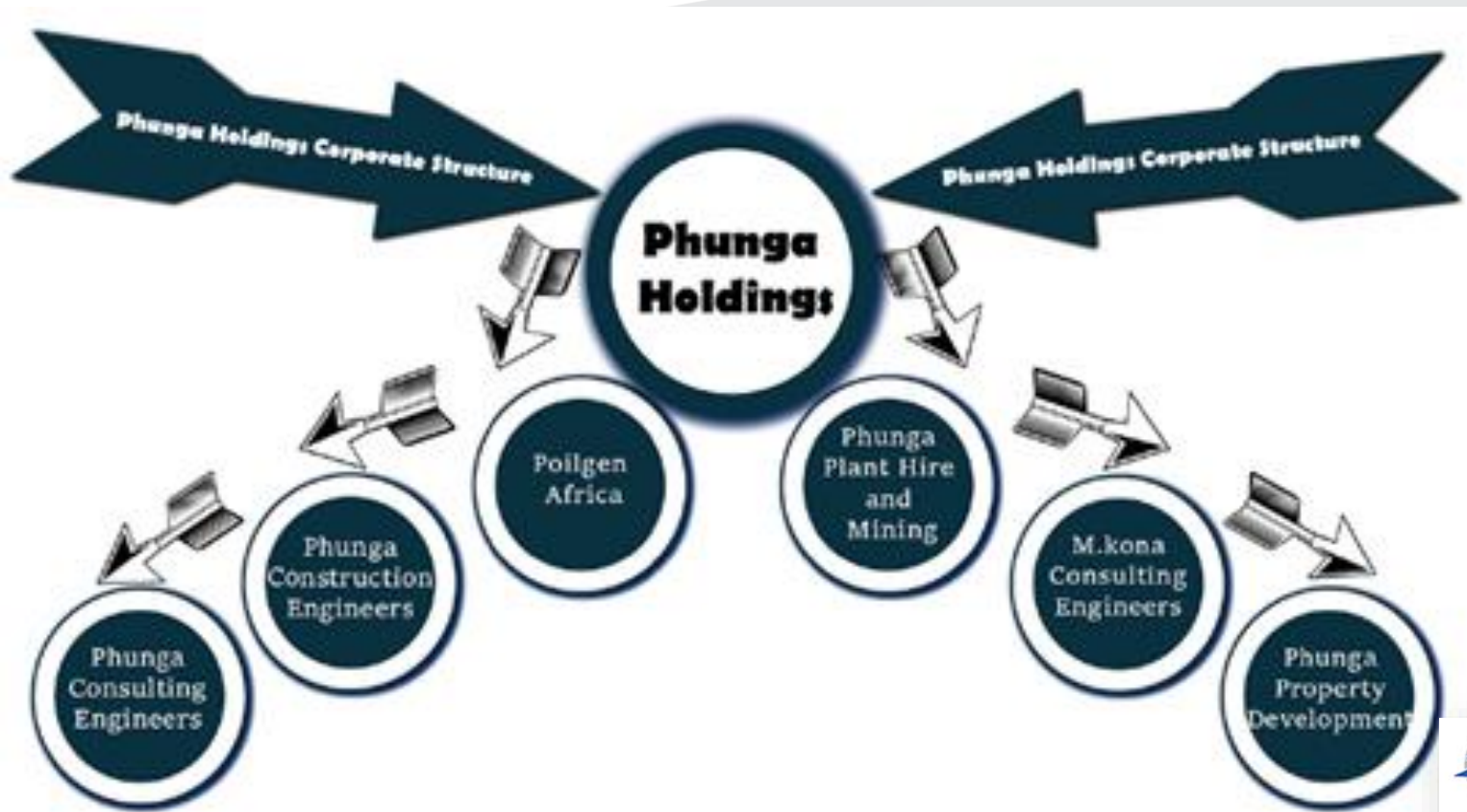


DO THINGS RIGHT AND DO
THINGS RIGHT THE FIRST TIME
– PIET LOMBARD



Introduction to Phunga Holdings

- Phunga Holdings was formed in 2010
- Wholly owned and managed by youth PDI
- Level 2 BBBEE company





Phunga holdings services

- **Phunga Holdings companies focus on the following major sectors:**
 - **Building Structures**
 - **Water and Sanitation**
 - **Roads and Storm Water**
 - **Architecture and Facilities Management**
 - **Renewable energy**
 - **Petrochemicals**
 - **Oil & Gas**
 - **Telecommunications**
 - **Property Development**



Accredited bodies and associations





Quality, Health and Environmental Management



ISO 9001: 2008 Quality Management System Certified



NOSA 5 Star Health & Safety Certified





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For more information...

www.phungaholdings.co.za



SOME QUICK STATS ON THE ENGINEERING PROFESSION



Trend Analysis of registered professionals – 2016/2017

Category	African	White	Indian	Colored	TOTAL
Professional Engineer	1671	13657	1023	175	16526
Professional Engineering Technologist	1487	3311	474	219	5491
Professional Certificated Engineer	71	952	40	13	1076
Professional Engineering Technician	2434	2299	283	198	5214
TOTAL (REGISTERED ENG's)					28307
TOTAL BY RACE	5663	20219	1820	605	

Table from: The Engineering Council of South Africa Annual report for the year ended 31 March 2016



Trend Analysis of registered professionals: Professional engineers (1994/2003)

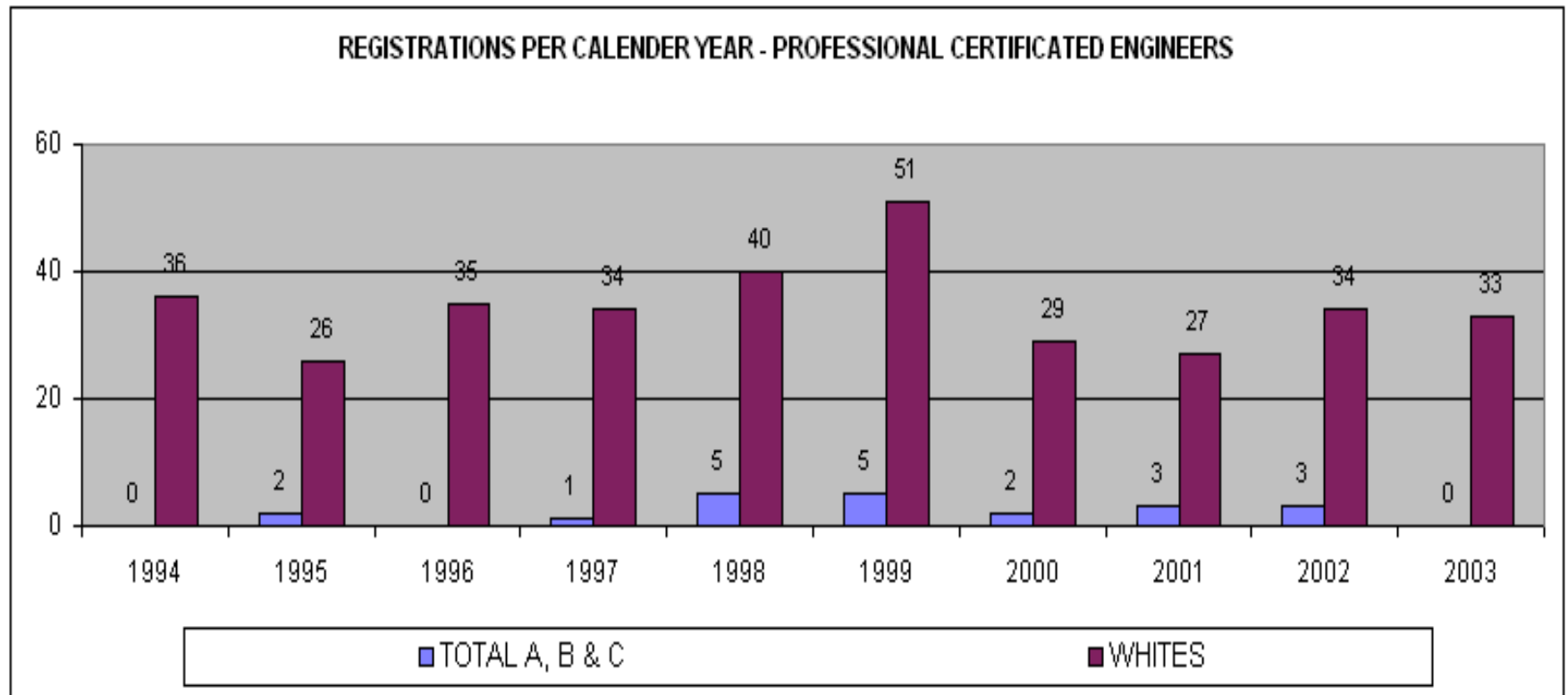


Fig 1. www.ecsa.co.za

Key:

A, B and C Blacks, Colored and Asians



Trend Analysis of registered professionals: Professional engineers – (2007/2008)

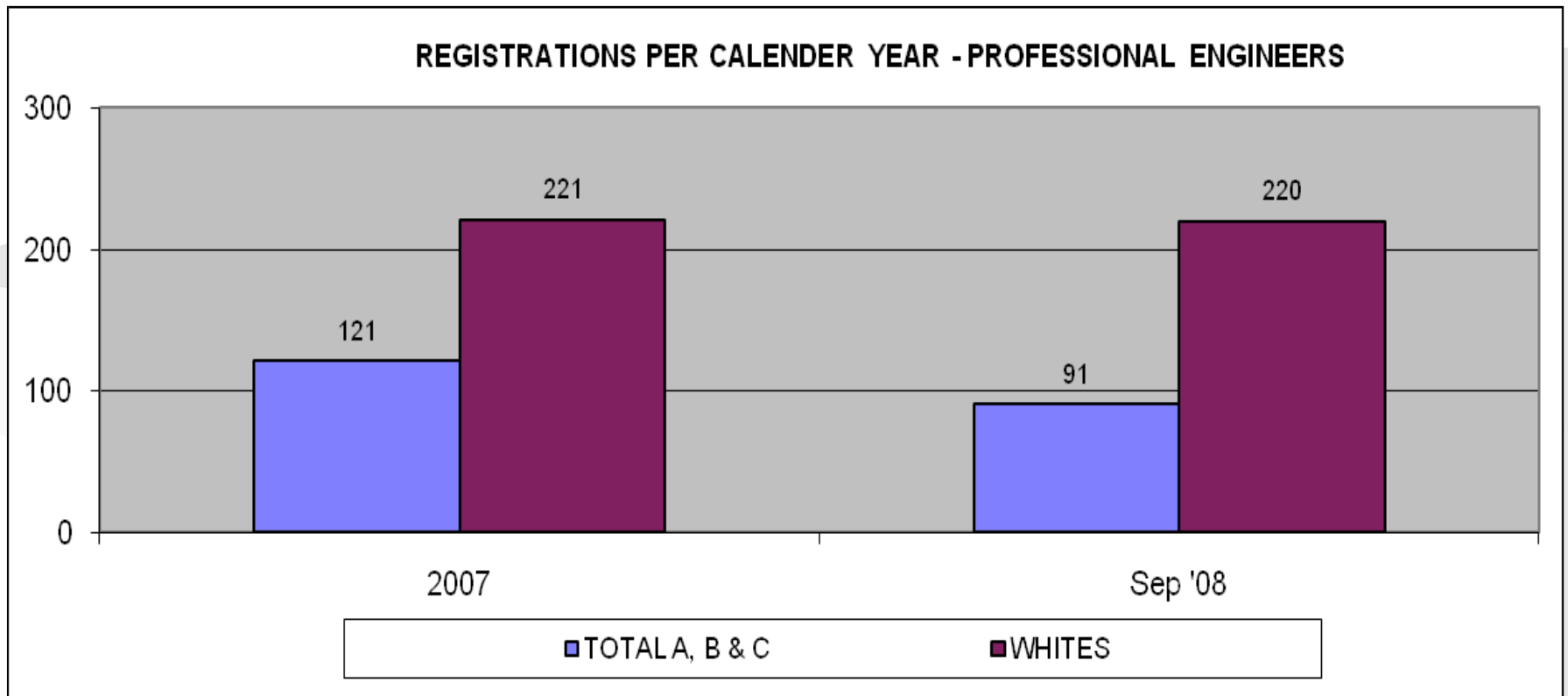


Fig 2. www.ecsa.co.za

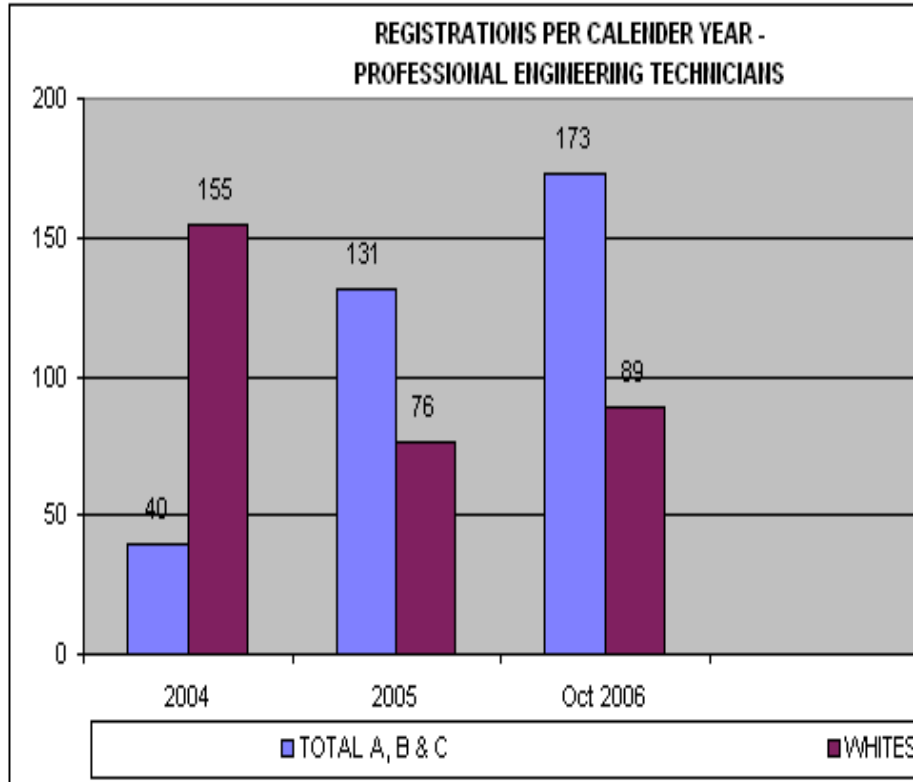
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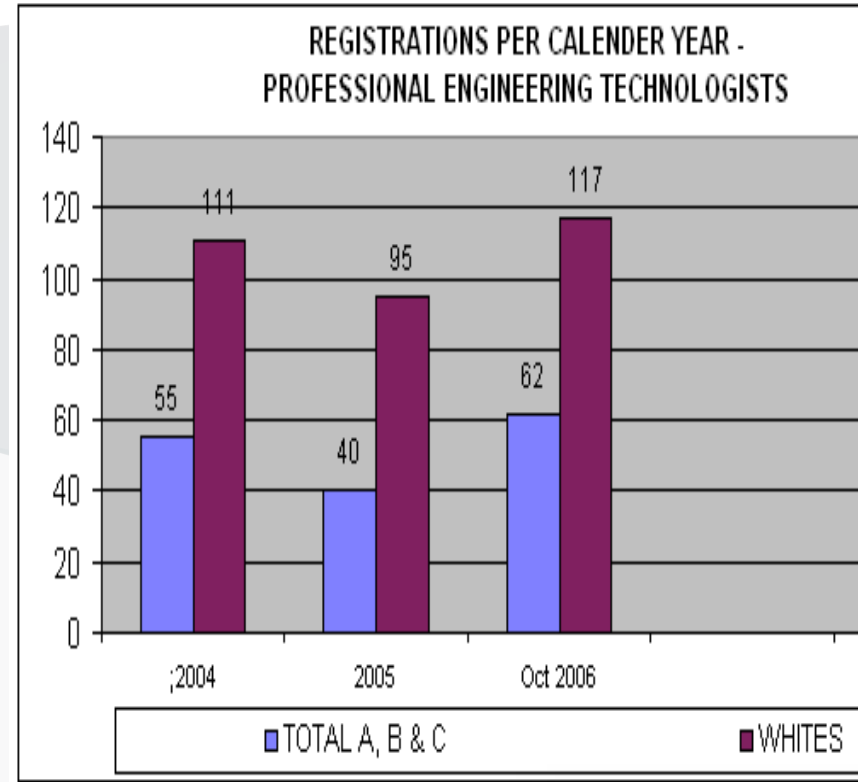


Trend analysis of registered professionals: Technologists and Technicians

Technicians 2004 and 2006



Technologists 2004 - 2006



Key:
A, B and C Blacks,
Coloured and Asians

Fig 3: www.ecsa.co.za



Trend analysis of registered professionals: Technologists and Technicians

- Only 16% of black engineers are registered
- Only 21% of CESA member firms are black





CHALLENGES FACED BY SMALL EMERGING CONSULTING ENGINEERING COMPANIES



Challenges faced by small and emerging engineering companies

- ❑ **Breath and depth of expertise:**
 - Employment of qualified registered engineers a challenge
 - Small companies are specialised – lose out on multidisciplinary projects
 - High Staff turnover

- ❑ **Small and remote authorities:**
 - Few opportunities are being offered by smaller constituencies and markets
 - Usually present in one or less authorities
 - Start up costs in another region may be high

- ❑ **Continuity of work:**
 - All firms need continuity of work to survive
 - Private sector is moving towards shorter term contracts
 - Price driven market makes it difficult for smaller firms to survive



Continued... Challenges faced by small and emerging engineering companies

- ❑ **Procurement issues (economies of scale)**
 - **Smaller firms have weaker buying power**

- ❑ **Contractual and administrative issues**
 - **Smaller firms do not have contractual expertise and are often strong armed by clients (Call Wallace Mayne)**
 - **Smaller firms sometimes do not have the ability to submit acceptable tenders**
 - **Insurance burden that is too large in some instances**

- ❑ **Payment issues**
 - **Lengthy payment terms e.g. mining houses are moving to 60 day payment terms as a standard**
 - **Dishonoured and late payments**



What small firms can do...

- **Do things right and do things right the first time!**
- **Good ethics (Eskom example) and be an attractive partner!**
- **Knock on those doors of bigger companies to grow your experience**
- **Submit clear, neat winning bids**
- **Share resources and collaborate with other smaller firms**
- **Be ambitious and follow the right footsteps.....(New friend Justice Boshomane)**



What medium/large firms must do...

- **Always remember you were once a small emerging company.**
- **Please open those doors!**
- **Create a database of preferred small emerging companies in their different specialised fields and use them**
- **Start company mentoring programmes (not just individual professional mentoring programmes).**
- **IMPART YOUR SKILLS** through willingness to partner (amongst others).



What clients (mainly Government) must do...

- **In the minimum, police and enforce the PFMA and all existing procurement policies**
- **More emphasis on localization of professional services to mitigate foreign competition**
- **Have a definitive project pipeline and just implement it! (NDP?)**
- **Political on-goals resulting in credit downgrades must be avoided**
- **Listen to CESA!**
- **Deliver the simple promises made on every state of the nation address
....the list goes on and on....☺**



What CESA must do...

- **Madam President.....you know these challenges better.....just be the mediator and glue that binds the stakeholders above to achieve our transformation and upskilling objectives.....😊**

Thank You.



Phungo