



Insight

Restructuring of the construction sector demands more systematic and business risk management solutions for emergent contractors.

As large construction players struggle to stay ahead of the curve in the face of a diminishing construction sector, smaller, emergent contractors find themselves trying to manage an industry which is squeezing them on every level. Turner & Townsend - a global project management and quantity surveying consultancy operating in the built environment - is helping these players plot a clearer path for growth and remain competitive.

In April 2019, Webster Mfebe, CEO of the South African forum of Civil Engineering Contractors (SAFCEC), reported a significant decline in public infrastructure spend – of almost R100bn from 2017/2018 financial year to 2018/19. This decrease, according to Mfebe, has had a severely detrimental impact on the construction industry, which is where Turner & Townsend is already making a significant difference.

Says Turner & Townsend Director, Dr Wanda Chunnnett: “Over eight years ago it came to our attention that our clients in the construction, infrastructure and oil and gas industries were experiencing difficulties working with small, emergent contractors who did not have the appropriate risk management solutions in place and were therefore struggling to meet the demands of a highly competitive and volatile market.

“Since then we’ve worked with close to 100 qualifying small enterprises (QSEs) and emerging small enterprise (EMEs) to implement a structured, risk based, quality management system to help them recognise and overcome the challenges typically faced. Some of these companies have even gone on to form part of

Turner & Townsend’s own supply chain as partners on projects.

“Our programme allows qualifying companies to implement a quality management process, where they develop an ISO9001:2015 certified system that covers all key business processes, such as marketing, production, financial management, human resources management, etc.

“The aim of the programme is to help them put the right disciplines in place to run successful, sustainable and competitive businesses”.

Key challenges for emergent contractors

The barriers that emergent suppliers often face include:

- **Cash-flow control** – This can be a major problem for small enterprises, due to their size and reliance on timeous payment. These enterprises are frequently smaller than the businesses they render services to, which creates a real David and Goliath scenario, with the larger enterprises potentially using their position of power to manipulate the situation to their advantage. Smaller enterprises often live or die on single contracts, thus they feel that they are not in the position to question when invoices don't get paid. They tend to get lost in the bureaucracy of large businesses, and are unable to bargain payment terms
- **Restricted insight** - Dr Chunnnett contends that, while smaller companies have less bureaucracy than their Goliath counterparts (allowing them to make immediate operational decisions), this sometimes leads to short-sighted and knee-jerk decision-

making. The lack of insight from different departments, such as marketing, finance, human resources and technical, and the subsequent implications of this, may prove to be catastrophic for a small business.

- **Low credibility** - A lack of brand awareness and market credibility can also hinder smaller enterprises from growth, as clients are often loyal to historical partnerships and brands they know and trust.
- **Skills retention and acquisition** - Smaller enterprises simply cannot match the salaries, international opportunities or company benefits of larger corporations, and attempting to do so creates further cash-flow complications. In addition, attracting employees can be difficult for smaller enterprises as graduates, especially in their first few years, seek to build a credible portfolio of work, which is often perceived to be found only within the ambit of large corporations.
- **Lack of resources.** Due to lower work volumes and fewer projects, EMEs and QSEs typically have limited access to people, finance and technology. The construction market has been transformed by cutting edge technologies, but a high capital investment is often required to trial or implement these innovations. In an industry where technology is developing rapidly (offering significant time and efficiency benefits), operating without it can be massively detrimental.

The future for emergent contractors is bright

Although things might look less than spectacular with the fall of some of the big names in the construction industry, Dr Chunnnett believes that with the playing field changing comes opportunities for small enterprises that are worth remaining optimistic about.

According to her, the change is drawing international players into the local construction market with Italian, Turkish and Chinese enterprises making their way into the country at a rapid pace. Because of their need for local support, they offer more opportunities for the smaller enterprises and will be an excellent avenue to explore. **The time is right for**

emergent contractors to get their houses in order.

"Our programme has delivered real results. Companies on the programme have won 58 contracts of which 31 had ISO certification as a mandatory requirement. The total value of contracts won exceeds R230m, and permanent employment across these businesses has grown 4%." Says Dr Chunnnett.

Turner & Townsend has held our hand right through the programme, at times going over and above their call of duty to assist us. The new accreditation allows us to have systems and policies in place. Following our accreditation, a lot of corporates take my business seriously, and simply put, I play in the big leagues now." Glynn Mashonga, owner of Globescope Security

About Turner & Townsend

Turner & Townsend is an award winning level 1 B-BBEE contributor and global market leader in providing programme management, project management, quantity surveying and advisory services to the real estate, infrastructure, oil and gas, and mining sectors.

Accolades in South Africa for 2019 includes:

- South Africa Professional Services Awards (SAPSA) – Construction Firm of the Year
- Employer Branding Awards – South Africa Best Employer
- Top Empowerment Awards – Enterprise and Supplier Development
- Performance Management Review (PMR) Awards – Golden Arrow Award for Excellence in Project Management

With 108 offices in 45 countries, we draw on our extensive global and industry experience to manage risk while maximising value and performance during the construction and operation of our clients' assets.

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