

Engineering sector - remaining competitive in tough times

 By Richard Vries

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South African companies face an embattled business environment, especially in the infrastructure space. While there are pockets of growth, South Africa and many other African countries are not recovering as quickly as hoped.

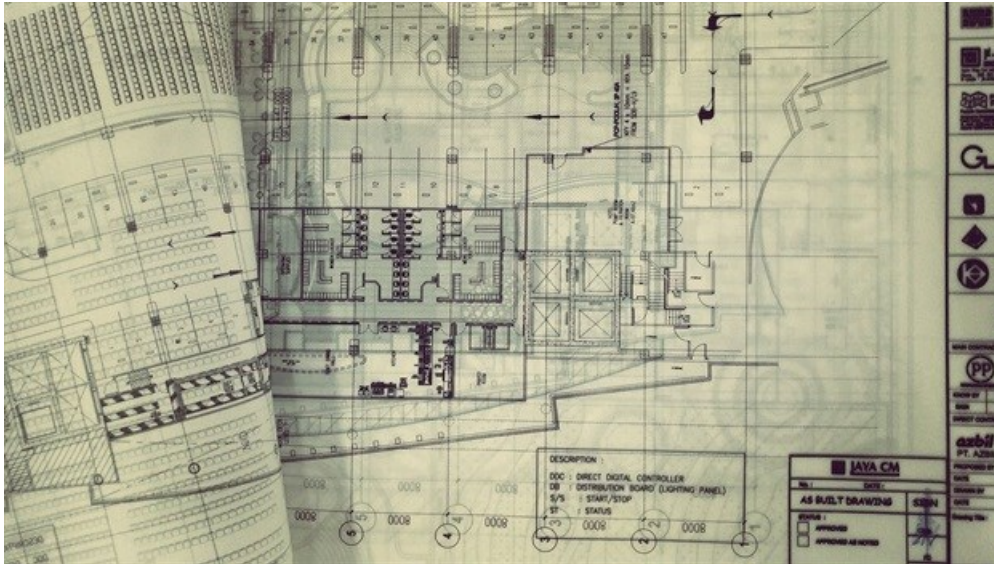


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South Africa has not recuperated from the world economic collapse and all indicators point to a long road to recovery. The country's low GDP growth rate speaks for itself and confidence is weak, as recent credit ratings downgrades show. Even though governments have tried to anchor the investment infrastructure through investment programmes, there are limitations to what they can achieve.

Major commodities-based markets such as Angola, Mozambique and Nigeria have also been hit.

Take an inward look

Under these strained circumstances, it is important for engineering practices to take an inward look to improve internal efficiencies, and an outward look at the market. They must look at existing clients, particularly their profitable clients, and ensure they are retained.

Another important step is to consider diversification. Are there potential new growth markets? Is the company skills set

being used to its full potential or are new skills required?

Next, the value chain needs to be scrutinised. Can a traditional consulting practice move up or down the value chain? Can it move closer to client bodies, sharing development risk or developing its own projects?

A horizontal view of the business is good for establishing what disciplines can complement and support the engineering practice to increase the value offering to clients.

Meeting Africa's infrastructure needs

Africa has a growing need for power, transport and water infrastructure. While there are many financiers and enough capital in the market, little is being done to bring projects and financiers together.

Financiers look for projects that have been tested for viability. Funding of the feasibility study is a stumbling block for many potential projects. A clever funding model, using the skills within an engineering practice – and working with the right partners – can bridge the gap and make projects bankable and attractive to investors.

Ultimately, is the market on the radar a growing market? Are there viable opportunities? If so, it is necessary to work through the due diligence of that market - barriers to entry, existing players and its value offering.

The South African engineering industry is in continuous flux, with a changing regulatory environment and shifting market conditions. Engineering practices must identify changes quickly, internalise them and respond.

Economic recovery will not happen overnight and engineering companies must find ways to adapt and adjust their businesses to this new reality. Not to do so could have lasting and irreparable consequences.

ABOUT RICHARD VRIES

Richard Vries is the group chief executive officer at GIBB. He has over 23 years' experience leading high level infrastructure projects across the African continent and contributing positively to the development of the engineering industry in South Africa.
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