

Opportunities remain abundant for SA's young construction entrepreneurs

Despite the real challenges it faces, the construction sector still offers young people a potentially lucrative career, says Rob Newberry, an industry veteran who is currently working with the Master Builders Association North on initiatives designed to nurture small and medium enterprises (SMEs).



© seoterra – 123RF.com

“While it’s unfortunate that the bigger players are falling by the wayside, their ill fortune is definitely creating huge opportunities for SMEs in both the public and private sectors,” Newberry says. “Make no mistake, it’s a tough industry but, with hard work, it’s still possible to make excellent returns.”

Financial realities of construction

He explains that people consistently misunderstand the financial realities of construction. For example, a R3m job would typically require 10% capital (R300,000) and could be expected to yield a profit of around 5% (R150,000). Too often, people write this off as insufficient because they see the profit in terms of the contract price. In reality, though, the R150,000 profits represents a 50% yield on the working capital of R300,000.

“A well-run contractor typically achieves a return on funds employed of about 50%, and the same holds good for the smaller guys – provided they keep a tight grip on the project,” he says. “That’s a good return in anybody’s book. Government now realises this, it will look for ways to use the Extended Public Works Programme (EPWP) to incubate such small construction businesses, which will in time be able to grow into the space left by the former big guns.”

Thando Nkosi is just one of the entrepreneurial types identified by Newberry as best suited to take advantage of the opportunities afforded by a disrupted construction sector. She inherited the entrepreneurial bug from her dad, who has his own construction business and she branched out on her own a year ago. She is a certified plumber, so her company focuses on plumbing and construction.

Her company, Khephephe Trading Projects, currently employs five people and uses a network of sub-contractors. “I wanted to be independent – to make my own decisions and build up my own company. I didn’t just want to earn a salary,” she says. “It’s a bit scary, but luckily my dad is a great mentor.”

Infrastructure development

Working in construction should also be seen as a way to participate in creating the infrastructure without which the rest of the economy simply cannot function. It’s also one of the industries capable of creating the large numbers of jobs our nation needs, so in many respects this is a career that offers the opportunity also to engage in nation building.

Construction’s role as a foundation of the economy is also evident in the wide variety of companies that make up the extended value chain. Precious Lechesa, MD of Mmidi Occupational Health Services is another black, female entrepreneur who has seen the opportunities that construction offers. Mmidi offers SMEs a complete occupational health service at its clinic, allowing them to start working onsite with the minimal of hassle, but with the peace of mind that their employees are safe and they are not at risk on non-compliance.

“Construction remains a big part of our market, but we are also branching out to service other sectors - the big companies closing their doors did definitely affect us,” Lechesa says. “We recently took advantage of the opportunity to exhibit at the Construction Industry Expo at a reduced rate, thanks to our membership of MBA North, so we are hopeful we made some new connections with the up-and-coming construction companies.”



Alarming number of engineers leaving SA - SAICE

9 Jul 2019



Both women are clear about one thing: it takes determination and drive to make it in the construction industry. Nkosi points out that the opportunities exist for entrepreneurs, with conventional jobs hard to come by. “Do your homework and find your niche – if you concentrate on that and work hard, you will succeed,” she says.

Lechesa concurs. “You need to have a passion for what you are doing and that passion will make you rise above the rest. There are always opportunities in any field – all you need to do is come up with innovative ideas on how to solve the challenges facing your market,” she says.

And, of course, following Newberry’s logic, a 50% percent margin is a prize worth grasping.