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Supply chain risk mitigation through visibility and collaboration for SMEs in the South African manufacturing enviroment

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2016
http://hdl.handle.net/10539/20625

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2014.10.31_12.28_01 **Steel Company**

Bernadette: Shall we go for a walk (Darren: Ja.) as you want to do that ...

Darren: 100 percent. (Bernadette: Ja.) Ja, let's go.

Bernadette: So ...

Darren: I will show you guys essentially our operations but then I'll, I'll explain, to you guys, where we see that (Bernadette: Mmhmm.) and the collaboration between all that becoming incredibly important (Bernadette: Mmm.) specifically for these types of products.

Bernadette: Cause this is new. This is a ...

Darren: Ja, this is a new thing. (Bernadette: Ja.) This is my [Word not clear.], this is mine and I'm bettering him on this by R15, believe it. And it's, you can't tell the difference essentially, so, ...

Tyron: That's not ours, [The rest is not clear.].

Darren: Ja, you know, he's got his, it just holds pamphlets for [Word not clear.]. (Alberto: Oh, okay.) Ja, so, what I, what I did is essentially the relationship I've built up with my laser cutting because everyone does CMC crunching, (Bernadette: Mmhmm.) we decided to go laser cutting and bending. Uh, ja, that's where [Word not clear.] comes in (Bernadette: Is that the ...) and then my pyra cutter.

Bernadette: Oh, but you got a powder coater.

Darren: Ja, but I use another guy who can (Bernadette: Oh!) do it for cheaper then we can. (Bernadette: Okay.) Ja, this ...

Alberto: In collaboration or just ...

Darren: No, literally, I sat, ja, we sat around the table ...

Alberto: And this is another thing which, or ...

Darren: Ja, this one's a bit tricky, ja.

Bernadette: So who did, who did the design? Did you do it, a collaborative design?

Tyron: No, this was the design and that's the copy paste.

Darren: No, reverse engineering.

Bernadette: Ja, and you just, And you used the tech, the Japanese way of doing things.

Tyron: And then I go and do CAD drawings as fault lines and everything and he moans because he's getting decimals to work to on the bending machine, so. No, but we, we.

Darren: And it makes it crappy.

Bernadette: (Bernadette laughs.) Pedantic boss, hey?

Alberto: So there's a bit of a competitive streak coming out here.

Tyron: But I think, also just, I don't know, Darren, (Bernadette: Mmhmm.) with, with your research cause (Bernadette: Mmm.) there's essentially then two parts to the business.

(Bernadette: Mmm.) There's the construction industry and then the side, which I think Darren's ...

Darren: We working hard on the construction side (Bernadette: Mmm.) to bring this in (Tyron: To bring this in, ja.) but it's still very hard to work (Bernadette: Ja.) with it.

Tyron: It's early days because we ...

Darren: But on, on the collaborative side we have all sorts of things (Bernadette: Ja.) like our standard products and our, our sheet metal side (Bernadette: Ja.) of the business. So those, it's construction and sheet metal, it's all the, (Bernadette: Ja.) the working (Bernadette: Mmm.) and where the questions will probably be directed [A few words are not clear.]. (Bernadette: Ja.) But I, I can refer to the products.

Bernadette: Ja ...

Tyron: Well, I'm not sure if, for the purposes of, (Bernadette: Mmm?) for transcriptions and to make your life a little easier that you do maybe like one side of the business as well, like, I mean, ask questions on construction ...

Darren: Well, we'll go through the background ...

Bernadette: Well, we will look at the, the supply chain (Darren: Ja.) and when we come back, we'll, we'll quiz you about the supply chain (Darren: Ja.) and all of that and see how it's evolved and ...

Darren: Well, the thing is, the collaboration, right now, for me on this, is from my customer (Bernadette: Mmm.) right down to my raw material. (Bernadette: Ja, you see, ja.) So that's cool whereas with the construction, we've got it up until my customer (Bernadette: Ja.) and my customer's just a pain in the arse. (Bernadette: Ja. (Bernadette laughs.)) Everything else is great! It's just these guys, (Bernadette: Ja.) if we can get them onboard.

Tyron: And raw material, (Bernadette: Ja, ja.) I mean, we've had, we had reps here in one week, um,

flowing in and out this office, big time, because we couldn't get raw material and we needed to get jobs done and we face these penalties in the construction industry, as well, (Bernadette: Mmm.) which are a bit of a risk, (Bernadette: Mmm, mmm, contracts.) so, that whole risk from there gets put down to a supplier (Bernadette: Mmm.) and literally, the rolling mills went rolling and specific items (Bernadette: Mmm, mmm.) so that's why I say, it comes into the construction, but I don't know whether you want to base it mostly around this. (Bernadette: No, we'll look at both, ...) And then when you get to supply chain, we'll discuss ...

Bernadette: We'll look at both in terms of the supply chain cause I'm the, interested in the risk side, he's more interested in what, the cola, the collaboration (Darren: Supply, collaboration and visibility.) and visibility side of things (Tyron: Okay.) (Darren: Cool!) because that's, he's taking over what Darren was doing and then I'm doing my PhD the risk, (Darren: On the risk.) on the risk side. (Tyron: Okay.) And I'm generally looking at risk in the business as opposed to just supply chain but the supply chain, I think, is a good point of departure to talk about (Tyron: Mmm.) the business.

Tyron: Okay.

Darren: Ja, no.

Bernadette: Ja, s ...

Tyron: Well, we'll take a walk. I don't know if we can see ...

Bernadette: Ja, let's, let's do a tour, and then, ja.

Darren: We'll take a walk and then you can see what it is we do.

Bernadette: Ja.

(There is then a discussion about housekeeping that still needs to be done. There is then an introduction to Franscois who is the production manager.)

Darren: He's the production manager.

Bernadette: He's your production manager, Fransois. Okay.

Darren: And he, he real, he ...

Bernadette: So you have to come through his office to get to the factory.

Darren Ja, (Tyron: And he's got the ...) and he's the day walker. He goes into both grounds, construction and ...

Bernadette: And, okay.

Tyron: Ja.

Alberto: The day walker.

Bernadette: He's the day walker. (Bernadette laughs.) All right.

Darren: So essentially, what we doing is, this has always been a, a tool making (Bernadette: Mmm.) spot but it's actually become quite a, a place where we make prototypes and think of designs and stuff, so, that's why all the stuff's here because we still [The rest is not clear.].

Bernadette: Now you guys, when did you take over from your dad?

Darren: The first day of the strike.

Tyron: 1st, 1st, uh, (Bernadette: The first ...) (Darren: The 1st of July.) the 1st of July. (Bernadette: Ja?) But it's not that we've taken over, it's just that (Darren: We made it ...) the business was in a situation where we moved in and basically, ease, ease an information bottle neck in the business in that if you can't process information fast enough the whole factory comes to a standstill. So, from that point of view, my direct influence into the business was to, (Darren: To split the load.) to, to split the load on him and, you know, fear of constraints, add a resource at the bottle neck and that was me. On the construction side I helped with the [Word not clear.] and immediately that was an opportunity to (Bernadette: Mmm.) get myself through the door.

Darren: [Darren says something that is not clear.]

Tyron: So, so it helped us get more construction work through the door (Bernadette: Mmm, mmm.) overnight. I handled the one site, so it took him out of that role completely and project managed the guys and that's how we managed that risk during the strike because we needed to get as much tendering through the door, (Bernadette: Mmm.) because tendering is your oxygen, (Bernadette: Mmm.) and it's a hit and miss story and then, all of a sudden, they award you work and I was taking all the work from there. I do the general tenders (Darren: Mmm.) [A few words are not clear.] I was just taking my work from there.

Darren: So, I suppose, a bit of background in terms of what's happened in the last year, it's been a year, just over 14 months. (Bernadette: Mmm.) My Old Man broke his leg in the last year and, and the business, he lost interest because you know I actually had it solved. (Bernadette: Mmm, ja, you were doing ...) I, while I was doing my Masters, I actually packaged the whole flow serving thing and I, I actually had it solved. And, uh, he decided, last minute, he doesn't want to. I think, after 32 years [A few words are not clear.] and, uh, ja, so. Anyway, it was trickling on, you know, we didn't know too much either. It cause me so much stress that I actually distanced myself completely from it (Bernadette: I remember that, ja.) and I just focused on my [A few words are not clear.]. And, um, ja, what we didn't realise was that it was just through lack of enthusiasm [A few words are not clear.]. This whole place was grinding itself out. Um, once he broke his leg, the guys here tried their best, he was off work a lot of the time, ...

(There is then a discussion about everything that happened to Darren and Tyron's dad.)

Darren: Anyway, so when he pulled through, I just, as a family, we just quickly realised what's important. We both had our own careers straight, straight, straight so now he had to come back to this stress. So he'd just had that huge heart distress and on top of it to get to know that you going into a strike, you know, which decimates cash flow. So he just said to us, he called us up and he said, switch it all off. Sorry. So I took all the stuff and I actually saw we were in overdraft. So to switch it off, all of a sudden, you lose all your assets, you lose everything [A few words are not clear.]. So Tyron got hold of me, I had no idea he wanted to, to do it. It was something I thought about last year already, I [Word not clear.] two guys and we were talking and Tyron called me up and told me his idea and I said, well, actually, I never told him but I had a similar idea but I was, I didn't have the guts to do it myself, I'll be honest. I just didn't, firstly, I didn't think I had the technical engineering capability to do it and, and secondly, to, to handle a big thing by myself.

Bernadette: Ja, because Darren's background is not engineering.

Darren: It's finance.

Bernadette: It's finance. (Darren: Ja.) He's got an undergrad in finance and then he came and did a Masters, ja.

Darren: So I, I was worried. I kind of know how to manage things and I know how to market things and, and price things and whatever but in terms of where I'm going to get efficiencies from to improve things, I was a bit worried. So when he came and he said, well ...

Tyron: [Tyron says something that is not clear.]

Bernadette: Ja.

Tyron: Ja.

Darren: So Tyron came and said he's got the experience of the running, you know, let's maybe try ourselves to do it [A few words are not clear.]. Anyway, so then we had to now break the news.

Just before we broke the news, my dad's brother passed away and then he said, that's it, time, he's switching off. So we scrambled like mad to get resignations out, to get everything, and Anton and the guys were amazing, [The rest is not clear.].

Tyron: Mine, mine was in on Tuesday, he's was in on the Thursday.

(There is then a brief discussion about someone who passed their Masters.)

Tyron: Mine was in on the Tuesday and Darren's on the Thursday.

Bernadette: Wow!

(Darren and Bernadette then talk about the same Masters student.)

Darren: Ja, so, so essentially it was, okay, this is it. So that all happened in May, the 7th of May. So they said, okay, we can do, we going to have to do June and then July would be our first, first day and the 1st day of July was the first day of the strike, because in the strike it becomes about man power, it becomes nothing about how smart you are, nothing, man power. So we had to be the resources for free because essentially getting through put now from when we came in and we survived and now, it's all now about okay, we've got this thing, it's a blank canvas, how do we do it?

So we went into absolute survival mode, throwing work at the place to get efficiency going because we knew, it was just the utilisation for, for once then the efficiencies would come. So we just threw work at it and, uh, ja, (Bernadette: Ja.) we got it right, hey? As it stands, we, we out of overdraft finally. (Bernadette: Wow!) Um ...

Bernadette: It's a quick turn around?

Tyron: In 3 months we went from, (Bernadette: 3 months.) from being in a situation where the business if, if, if, if needs be could have closed to pulling ...

Darren: Or liquidated, (Tyron: Um, ja.) it's completely liquid, (Tyron: Ja.) I pushed all my suppliers for 60 days, my max, my overdraft was max and now I'm back to 30 days on my suppliers and we, we sitting on [A few words are not clear.]. A little bit of hard work the last 3 months but it shows ...

Bernadette: But it's been satisfying that you've achieved this.

Darren: Ja, nothing, nothing can even touch this.

Tyron: It's been a, it was a rough road but it's been all, it's that, there's been no time to, to look at the nice things and it's just ...

Bernadette: No, well, it's survival mode, ja.

Tyron: Work, work, you in survival mode and that's when now we petering on back into survival mode to get through December because of legislation and how you forced to, (Darren: We have to pay the bonuses by law.) the leave pay and that and, and we'll discuss it (Bernadette: Ja.) inside on our mitigation factors (Bernadette: Ja, because I saw, ja.) that we have to mitigate that risk, (Darren: Ja.) (Bernadette: Mmm.) um, but, which everyone knows here, just yesterday we had to offload all our contract staff, nine guys, skilled guys all, they still here but they finishing (Darren: Tuesday's their last day.) next Tuesday. So Darren and I, one by one, broke the news to the guys, they've been here for six years.

Bernadette: It's not an easy task.

Tyron: Guys were retrenched off the mines, they came here, they've been happy, they had a job and ...

Darren: And we've been happy with them as well.

Tyron: Ja, so, and we've been out, so happy with the work they've done but now, with this big entity, which, in the past, the way my dad managed it was he cared so much about the employees and not knowing exact costings, we'll just try and make a plan and hit December with a certain amount in the bank ...

Darren: Ja, he would have carried the guys to December.

Tyron: Ja, he would have carried the guys to December and then in Jan realise, I'm in overdraft by so much (Bernadette: Mmm.) where now we trying to run for parts on the order book, on certain products, on the construction side which, that's what triggers it because, Darren will tell you the ratios but most of our overhead is sitting in construction especially our variable costs as well, and ...

Darren: But it never seems so when all the machinery sits here and the machinery's paid off, so I only had depreciation on, (Bernadette: Mmm.) on the machinery.

Bernadette: Do you own the premises as well?

Darren: Ja, but that's a different account anyway. (Bernadette: Okay.) Um, but, um, ja, so what happens is, from a resource perspective, very skilled guys, then I've got citings so it's running costs of vehicles and essentially, a drilling machine doesn't become an asset, it's actually a disposable item and you have to look at it like that.

We've got, (Bernadette: Okay.) we buy the best, best, best, best there is out there to try and get the long-term stay out of it. (Bernadette: Mmm.) So what happens is your, your cost per, it actually drops when you buy the good stuff but it's still incredibly expensive so we setting about a, right now about a 60 percent cost from there and a 40 percent cost here but we've got a 75 percent revenue base here and 25 percent revenue base here. That's why I've taken my job to increase standard products so if that's 60 percent, there must be 40 percent, 40 percent, but the best will be is that my 40 percent produces 50 percent and my 60 percent produces, you know, actually just increase the whole size (Bernadette: Mmm.) all the time, um, so, so, ja, we, uh, we, but I think, managed to achieve it. This month will be our first month where it's actually, well, November, I think, we actually, for the first time, going to get pretty close

where we going to have 50 50 from here to, to outside, (Alberto: Nice.) so we'll see how this goes. We not quite sure, you know, some people are [A few words are not clear.] (Tyron: Ja.) where we [The rest is not clear.].

Tyron: But construction, as you'll know, it's basically, it's, it's not really stable, (Darren: [Darren says something that is not clear.] it's up and down, (Bernadette: [Bernadette says something that is not clear.]) I mean, what I was actually saying with the construction is that literally what we looked at is our order book and your order book can be, it's maybe a, a month at max and, literally, what was happening is I saw November was empty but what happens is it fills out as tenders are awarded and, and, literally, we weren't getting through that. Now there's various causes, maybe we weren't getting to the tenders to get them out. Also a big site finish, we needed to sign an injunction that we were there that we were doing work on and that's just ended now.

Alberto: That's a big one. That's a big development.

Tyron: It was a big development but turnover wise it was a year's work and it gave us what we need to do in one month but it tied up our resources for a year. (Alberto: Oh, okay.) So risk wise that is what knocked us as well but that ended so, and we didn't have, and that you get jobs, as you on site work comes up, so you price it something to get onto the site hoping to get mor while you there but if that doesn't come I'm tied up now, so now that they free it just ended so that's what our decision was to offload the contract [A few words are not clear.] that pipeline where actually is it here and now we, what we've done is instead of focusing on a single contracts company, mainly WBHO, um, is we've already started liaising with Aganicas, Avengers, and, there's about four or five different companies that we now dealing with to spread that [A few words are not clear.] and now we can start choosing the jobs we want to do. So we build a pipeline and then sit back and say, what do we have capacity to do.

Darren: But what we've also started to do is we took, so we always first tier, so we go to [Name not clear.], your, your big, big guys. What we've now started to do as well is look at second tier because second tier I can actually say to the guys, listen, let's, let's partner together.

This is going to be my rate but we'll even help you project manage this thing and together, we will get this job done, one time, in core, and within a budgeted price because when they giving everyone different work you don't know, you can't hold your quality, you can't, the guy gets a job done (Tyron: Your utilisation parts, ja.)

but your come backs and the engineer or [Word not clear.] refuses to sign it off or [Word not clear.] refuses to sign it off. And because there's such low barriers to entry into, uh, (Alberto: Construction.) into construction, you know, a guy goes and buys a welding machine from Checkers in a bakkie and he thinks he can structure a steel. Unfortunately that's what we have to compete with and that's, those guys are getting a lot of the work now (Bernadette: Mmm.) because their pricing is different. They not, they not up to scratch with the MEIVC in terms of their minimum wage rates, they not up to scratch with their certifications, you know, where we busy in the process of certifying a welder. It's going to cost us R8000 for one guy, you know? But then he is proper. Um, and those guys have engineers that they keep on coming back and having to redo the work, so Tyron's saying to them, but you know what, that's actually costing you. (Tyron: Ja, it's the rate per kilo [A few words are not clear.].) Instead of costing you R28 a kilo, it's actually costing you R38 a kilo, we came in at R30 a kilo but we charged the guy 28, so for R2 it's, you know, shoot your foot to spite your face.

Tyron: And that's where I'm now, on that customer side that's where I'm trying to make grounds and on that risk side is that I negotiate on that portion of the work but at the moment that's in the infant stages where Darren's a lot further in the sheet metal side and the fabrication side but [A few words are not clear.] that's where we making bounds, we first had meetings yesterday.

Darren: Yes, only from a customer perspective. All other aspects of this are outstanding.

Tyron: Ja, are basically identical. So when Darren talks about the risk associated with the supply chain is down that's basically, you can treat the construction [A few words are not clear.] and all that the same. It's only the minute you reach the customer that it looks to be, does that. And then the risks associated from the customer back down, to me, in my mind, maybe you pick up on different risks but that's where your risk profile, once it's in the factory we have control over it but the external risks, from the customer, are vastly different.

Bernadette: Is it the nature of the customer?

Tyron: It's the nature. For example, um, where the risk internal sits equally on both sides is a drawing. Um, a factory is very good at making stuff for a drawing and over 680 metres of a particular closure we had to make, each closure at about an average length of 1.5 metres was custom made. It had a different height, a different prop, a little length. It went through about four or five different processes in the factory, each one had it's own drawing. I think in 680

metres, we messed up about 9 metres of it and it was all at drawing level. The factory didn't stuff up one, one of them, so at drawing level, the internal risk sits there, in my mind, (Darren: And the design.) and on the construction that's massive because everything is, is a new drawing, um, where here it's a standard product, when you make one stuff up, I go to the drawing, I fix it, the set ups are repetitive so the risk is slightly lower in the fabrication scene internally, but on the construction side, when you'll see outside we, we have [A few words are not clear.] and quality systems, but the risk from the customer is that they there then they not there, they there, they not there. They, your, your level of detail you receive in terms of what is required of you, please can I have a mezzanine? I get an architect's drawing. The next guy, please can I have a mezzanine, I've got a fully detailed engineer's drawing. The rate per kilo that I have to give is the same but (Darren: The risk.) the architect's drawing requires an extra R1000 per ton for detailing, it requires about a whole day's worth of back and forth between my dad and myself on design, liaising with the detail, (Darren: We go visit the site because you have to ...) visit to site, everything has to be measured so that when I put that door in (Darren: So we have to make it and we have to ...) (Bernadette: It's time consuming.) it fits on site, so not only do we have to get the drawings (Darren: It's my resources.) before I make my fabrication, I have to actually go and measure where this thing's going to go. So there's a lot of external influences of the construction site from the customer (Bernadette: Mmm.) back down (Bernadette: Mmm, mmm.) which, I think, in your risk side, the construction for this, to this company, if you had to break it down, is enormous because our overheads sit there, the risk from a customer sits there, (Darren: The material input costs is also very high.) the material input costs are a lot higher, um, your level of value adds, your break up in terms of costing say on sheet metal, we giving away secrets, is, is a third, a third, a third, and it's in the labour, material, say paint. (Bernadette: Mmm!) If I get an irvine, I can have 10 percent labour and 90 percent material because the thing is so heavy that to just drill a hole, it dilutes it in weight. But yet I'm making a little frame, all of a sudden I'm 50 percent labour or 45 percent labour, 45 percent material (Darren: Ja.) and only 5 percent finish coat. So that is always challenging.

Darren: And then there's value add. (Bernadette: Mmm.) What ever's of value add, (Bernadette: Adds.) (Tyron: Keep changing.) it keeps changing all the time.

Tyron: And the higher the level of value add, you could probably equate that to higher risk because there's no dimension that can go around.

Alberto: When the guy at the drawing level becomes, whether it's [The rest is not clear.] ...

Tyron: But I have, I think the best is to just draw it on a picture almost and laying it all down.

Bernadette: Ja, when we go back to the office (Tyron: Ja.) then you can, we can ...

Darren: [Darren says something that is not clear.]

Tyron: And let's take a walk (Bernadette: Ja.) through the factory, I think, before the guys go (Bernadette: Ja.) so you can see them hard at work.

Bernadette: Okay. So this is kind of your prototyping area.

Tyron: Ja.

Darren: Prototype, product development, the whole thing. We've been working hard on a new, I'll show you a [Word not clear.]. This is a new fire extinguisher bracket for trucks. (Bernadette: Okay?) For your trucks that have a fire extinguisher bracket, we've made them previously. This I, um, I can, um, we redesigned, that's, uh, just as strong. (Bernadette: Mmhmm.) I did it.

Bernadette: Did he?

Darren: I did it!

Bernadette: You did it? Aaah! (Darren: Ja.) (Bernadette laughs.) The finance guy!

Tyron: Ja! Hands dirty, ja.

(Bernadette and Alberto laugh.)

Bernadette: Good stuff!

Darren: Uh, WITS, WITS had an influence. (Bernadette laughs.) Uh, ja, so, so essentially this performs the identical role, if you actually look at what, what is the role of that, so you hold a binding centre ...

Bernadette: Value engineering.

Darren: Proper.

Tyron: [Tyron says something that is not clear.]

Darren: This is 40 percent cheaper (Slight pause.) then my current product and it's snap straps and it protects the bottle neck but it uses the tension of a 3 ml thing. (Bernadette: Mmm.) I'll show you how it works. So this, essentially, fits in there, (Bernadette: Ja.) and then it uses the, the tension of that ...

Tyron: Over centre toggle clam (Darren: Ja.) that's basically [The rest is not clear.].

Darren: Exactly what it is. And then, uh, ja, (Tyron: Ja.) so we've, Marius is the, the brains behind getting it made.

Bernadette: Okay.

Tyron: Ja, he does all our tool ...

Darren: Ja, he's our tool maker.

Alberto: Oh, okay.

Tyron: But he also sets up jigs in the constructions. (Bernadette: Okay.) But I think let's take a walk outside, (Darren: Ja.) (Bernadette: Okay, cool!) we can always end here. (Bernadette: Ja.) Show you the construction, where, how we measure, [A few words are not clear.] no construction because when those guys leave, like you can see the factory's not busy (Bernadette: Ja.) so they busy working, I think the best would be to (Bernadette: Okay.) take you there.

(Pause.)

Tyron: This is where we need desperate cleaning at the moment. We've probably got about 20 tons of scrap.

Bernadette: I, ja. 20 tons!

Tyron: Ja.

Bernadette: Why have you got 20 tons of scrap?

Tyron: Basically all that material there I have no intention of trying to, (Bernadette: But why ...) you know it rusts, so you can reuse it but a lot of it is just standing there and I need the space to do potential other work.

Bernadette: But what was it initially procured for?

Tyron: They had a car park.

Bernadette: Mmm?

Tyron: It was a car park about 10 years ago when we decided to ...

Bernadette: Oh! So this is 10 years old.

Tyron: Ja, some of it still lying there is quite old (Bernadette: Oh my word!)

because what happens is you always have excess, (Bernadette: Mmm.) you order, because you don't leased perfectly in the construction year (Bernadette: Mmm. Mmm.) and then they put extra bits, the customer's paid for it but it sits there, so from a, ... It's nice, I've got ...

Bernadette: Okay. So it's not a loss to you.

Tyron: I've got channel there that I'm using on a job now that's probably been paid for about two or three times because I use it, I nest it and then you got ...

Darren: You know you being recorded, hey?

Tyron: No it's, no it's, ...

(Bernadette and Alberto laugh.)

Bernadette: But it's anonymous.

Tyron: On that same job, when I go to install it, it takes two or three times longer then I originally anticipated, (Darren: Ja no, of course ja, ja.) so that's why ...

Darren: This [Word not clear.] is, is cast here, you know, (Bernadette: Okay.) it's almost 80 millimetres out. This floor is supposed to run at that level between the three top [The rest is not clear.] ...

Tyron: Over 3 metres the slab was out by 80 millimetres and I detailed my roof ridge to be like ...

Bernadette: So you got a nice little ridge gap.

Tyron: This structure, the process involved, which we can also draw out, is that you receive a tender, you quote, it's approved, from the approval you get more detailed engineer's drawings, um, we then generate cutting lists, further shop drawings that we either do by hand or we get a detailer to detail it for us on complex items like this because then the drawings tell him exactly what to cut, where, if I had to sit and try and measure it out on paper it would be quite difficult.

Bernadette: Is this now something you've introduced, all the, the drawings or has it been a process ...

Tyron: Kind of, that's always been here.

Darren: Ja, it's always, it's always been ...

Bernadette: It's always been that ...

Tyron: I've almost formalised that process on paper now.

Bernadette: But it, but pro, previously it was just (Tyron: It was ...) the way you guys operated.

Tyron: It's, it's the way it operated and it works very well.

Bernadette: And how do you think it evolved that way?

Tyron: Because of mistakes. Basically because we ...

Bernadette: So you learnt (Tyron: This ...) trial and error.

Tyron: This is ...

Darren: 20 years of trial and error.

Bernadette: 20 years of trial ... (Bernadette laughs.)

Tyron: I think, this item is probably about 15 kilos a metre, (Bernadette: Mmhmm?) times that by R25, (Slight pause.) no, times it by R15, so you got R225 a metre that this costs. And then, so if I cut this to the wrong length, (Bernadette: Mmm.) I throw it away. So now part of those checks and part of the process, once the drawings are issued, cutting lists are made, and when it's, let's say the stop on the cutting machine is set for this, now this is a repetitive item, this length is the same as that length, someone will come and double check, will just measure the stop and say, okay, it's the same as what the drawings ...

Bernadette: So you doing some quality control (Tyron: So I, I set it up ...) within the process.

Darren: Too much value involved.

Bernadette: Ja.

Tyron: And someone else comes because your eyes get confused on the tape measure and then he will check it and s, and shout out the measurement and he will read it off the drawing, and say, okay, it's the same. And we do that when we drill holes where, where, if you going to drill a hole, it's centre punch all the way down and then someone else will come and say, and the reference mark is from this edge, you will say, 340. Yes! Okay.

Darren: Ja, so you ...

Tyron: 890 ...

Bernadette: So is this something you guys ...

Darren: No, [The rest is not clear.].

Bernadette: No, this is always been the way your dad's been doing ...

Tyron: No, this has always been [A few words are not clear.] and that's, that's been through ...

Darren: When we actually saw how it developed it's actually something (Tyron: Ja, it's ...) that's phenomenally fast ...

Tyron: It's extremely robust, ja.

Bernadette: How ...

Darren: It's ...

Bernadette: How, um, just in, how did it all develop?

Darren: Just, ja, it's, it's literally the risk involved, (Bernadette: Mmm.) so you have to make sure it's right but you need it to happen quick because (Bernadette: Mmm.) the faster you get steel out, the more tons you do the more money you make. It's actually that easy. (Bernadette: Mmm.) So it's literally how do you get tons out efficiently (Bernadette: Mmm.) but accurately (Bernadette: Mmm, mmm.) and it's literally, I mean, it's, everyone's saying ja, you know, 315! Yes! 315! No! Next thing and it just, it's, it's verbal, traceability not, (Bernadette: Mmm.) but traceability lies in the drawing, so in terms of the, the confirmation of the action (Bernadette: Mmm.) that's, that's how (Alberto: Mmm.) [The rest is not clear.].

Bernadette: So are you doing it as you constructing then ...

Darren: Ja, (Tyron: As we constructing.) as you going.

Bernadette: So it's part of that process of ...

Tyron: Ja, and then once we finished it then basically your assumption at this stage is that it's correct and believe me, it's happened on one or two occasions, where it's been sent to site, and in my learning stages, I've done a drawing where, um, the first 2 months it was off by, I didn't accommodate for 5 millimetres or 10 millimetres, you get to site and it's uh, then I get a phone call from my site guy, this thing doesn't fit. Then, all of a sudden, where it should have taken 2 hours, it's taken a whole day. (Bernadette: Mmm.) And that's how sensitive it is, so in my ...

Darren: But again, it comes largely down to the drawing because they, [The rest is not clear.] ...

Tyron: Ja, and experience because internal drawings accommodate for tolerances which are dictated to my dad's gut feel. I need 5 ml there, I need 10 ml here, and it's just experience where my theory I'm used to precision machining and (Bernadette: Mmm.) sterling engines, all of a sudden I'm dealing with 5 ml tolerances not 2 micron tolerances. So I'm trying to work more closely (Bernadette: Mmm.) which doesn't work, so I've learnt that.

Darren: Because it's time, (Tyron: Ja.) you know, it's, it's an exponential thing, the more accurate you going to get and the longer and longer time it's going to be.

Bernadette: Mmm, it's a higher cost to ...

Darren: It's a huge cost (Tyron: Mmm.) so you've got to find that balance and then that's ...

Tyron: But we've got a ...

Bernadette: Do you remember that in quality control? No.

Tyron: Ja.

Darren: I do.

(Bernadette laughs.)

Tyron: But what I've just, to give you an idea, this is, this is a job for the same client but just the same client is working on two different sites. So the same client is working on two different sites, um, one at basically OR Thambo the fuelling station and the other at PFG Glass here in Springs. Now this site is also held to high standards but not that I have to submit raw material certificates and all sorts of other nonsense. PFG Glass is expecting me to draw up a full working procedure on this item. I have to send them, (Darren: Quality control.) it's quality control but now, before I can cut a piece of steel, I have to have my welding certificates approved, I have to have (Bernadette: Mmm.) to have everything approved, now I sit with the raw material for another month before they approve it, it affects the cash flow. So these are all the knock-ons that we end up absorbing (Bernadette: Mmm.) plus now getting my, my welder accredited where he was coded before but just for that job I've had him coded now which, to me, that actually falls on us but now they require all this documentation up front (Bernadette: Mmm.) before we can even cut a piece of steel and add value and actually invoice for it and that's where just the same client has completely two different risk models on their, on the consumer side or on, on the customer side, ja.

Bernadette: So quality requirements are very different in that ...

Tyron: So quality requirements are different just within two different sites. So ...

Bernadette: And you've, you doing, making the same com, you know, sort of essentially some assembly.

Tyron: So you basically making the same structure, (Bernadette: Ja.) you could say it requires angle iron (Bernadette: Ja.) and channels and the same tolerances ...

Bernadette: The bill of materials is probably about pretty the same.

Tyron: Exactly the same. (Bernadette: Ja.) Basically you could say it's the same, just (Bernadette: Ja.) construction of structural steel work, (Bernadette: Ja.) but, in terms of turnaround time, (Bernadette: Mmm.) is I've put this work ahead of that work because of all these holdups. So now something I'd planned to do in 2 weeks time I've had to do this week to keep my guys busy. So that's how it's thrown about.

Darren: The resource allocation (Bernadette: Mmm.) is at least half this client's job right now. Ag, (Bernadette: Ja.) and that's why yesterday was so hard for us it's because, (Bernadette: Ja.) you know, we, we assumed that we would be able to keep the guys according to how we've allocated the jobs coming in and we've literally finished the job. [A few words are not clear.] okay, this oke I can use here, this person has that skills set so we also, in your brain, it's not formalised yet, you've got a skills matrix of people and what they can do and you constantly playing Chess with these guys, the whole time, because of, of, you know you ...

Tyron: You trying not to let a welder go and paint , essentially, (Bernadette: Ja. (Bernadette laughs.)) because he's now got the skills, why must he go and chip, (Darren: Ja.) I mean, here you chip the welding ...

Darren: Because here he gets R210 a metre, there he gets R40 a square or whatever. (Bernadette: Mmm.) And it's equal amount of work time.

Alberto: Mmm.

Tyron: And he's level of value adds here is at 28 ...

Darren: It's like, it's, it's essentially like me or, you know, going to go and bend steel all day.

Bernadette: Mmm. (Tyron: Mmm.) It's a waste of your (Tyron: Ja.) education and skills.

Darren: You know, it's, it's a waste of that person's thing and it's a waste of the, the opportunity value that you can get out of that individual now, you know, (Bernadette: Mmm.) from a business perspective.

Tyron: And, and from a percentage point of view, I'll just talk because it's industry norms (Bernadette: Mmm.) actually in the costing, we can work out the percentage at a later stage, but if he's adding value to this piece of steel, I can charge the client up to, on average what the industry norm is, R28000 a ton. That's just this here. I'm supplying this in and around that price. (Bernadette: Mmm.) If that same boiler maker hasn't got work to do and is forced now, just to keep him busy, I put him as painting, within that R28000 a ton I'm allowing R2500 for paint. So, all of a sudden that, the, the money he can bring to the business goes from R28000 a ton to R2500 a ton, essentially, and our site teams, liable installations is R5000 a ton (Bernadette: Mmm.) or R3000 a ton (Bernadette: Mmm.) and when you divide up their overhead, I break even on basically you looking at the broad business is, is 22 tons I have to just do to keep those guys, to cover their, to cover their overheads.

Darren: So that's why you chose (Bernadette: Mmm.) tons. And, and (Tyron: It's.) that's what Tyron and I have done, (Bernadette: Mmm.) that's a very new thing.

Bernadette: Ja.

(Pause as everyone talks to Franscois.)

Bernadette: Ja.

Darren: Ja, so it, so, essentially what Tyron and I found is that was we used to play in the sundry steel market, so a lot of high value add and you used to get good rates for the nine and value add and installation and that (Bernadette: Mmm.) but because of these guys with their bakkies and stuff and there no barriers to entry, they, they can actually do that work and because he's physically doing the work, he's not actually managing a business, (Bernadette: Mmm.) he can, he can qualify his rates and so now it becomes a tons game (Bernadette: Mmm.) and now it's all about (Bernadette: It's volumes.) pushing volume and tons. (Bernadette: Ja.) So we looking now 4 tons in like, (Bernadette: Mmm.) if it's something below 4 tons it's got to be, the rates have to be right for us to be able to justify it because of 22 tons to break even if we just doing erections the whole time. (Alberto: Mmm.) Do you know how many gates we need to put in if it's 22 tons?

Bernadette: Mmm.

Tyron: No, we'll, we worked, we, we worked it out (Darren: It's impossible.) and to give you an idea, I spend a whole day trying to do drawings for, for a customer that I didn't have enough information, I had to go on site to measure three times, the scaffolding wasn't ready, so eventually I could get in there and working on scaffolding that hadn't actually been signed off. Anyway, so we got the measurements, eventually came back, spent a whole day doing drawings for something that costs, I, I'm going to talk figures because I think it's a lot easier to just give ratios (Bernadette: Mmm.) to it, um, and something that we can charge out of 22000, all that effort. This morning it took me an hour because I had the information so put it, to do a quote for half a million rand. (Bernadette: Hmmm.) Now where does, (Darren: Ja.) where do they scale stuff ...

Darren: And we can, we can split that out in 2 weeks (Tyron: Ja.) and I can have it nice so it's like, well let's call it a, it's a 20, 18 tons, 15 tons or ...

Tyron: It was a 22 ton job (Darren: Okay.) and the other job is, I think it was 670 kilos.

Darren: So, so 15 tons, (Tyron: It would keep you busy.) [A few words are not clear.] 15 tons of material, (Bernadette: Oo no!) you take it on a truck, you go there and our erection team hits it and then they done. So the same okes that fabricate it we then plan it that they also have erection skills, (Bernadette: Mmm.) go in there, they erect it, they come back, boom, there's our 22 tons broken even (Tyron: Ja, [The rest is not clear.].) and that same team erected itself, diluted his cost from a manufacturing point of view and there (Bernadette: Mmm.) and that's the risk gone in terms of [The rest is not clear.].

Bernadette: And you also cross skilling these guys, just ...

Darren: Well they are, (Bernadette: Ja.) they essentially are because what we did is, uh, the, the guys who are our erection guys are very lucky because they boiler makers, they've had the chance to work underneath my dad on site and site there's no textbook, in the world, that can teach you for [A few words are not clear.] the site, and, uh, and these guys are, are pretty good. (Bernadette: Mmm.) They not, they very well respected on the sites and, and ja, so, so now we going to bring them back because anybody can fabricate, well, not anybody but to get a good fab, they are good fabricators at heart.

Bernadette: But the thing is they also learning what happens on site so they can bring it back, (Darren: Understand exactly.) what the issues are.

Darren: And that's the only reason this place is still around is that my dad, when he gets drawings, he says no, no, but wait, if these okes are building it like this, and he phones the engineer and says, listen, (Tyron: It's wrong. (Tyron laughs.)) this isn't going to work, this is wrong. No, it's not wrong. He says, this is what's actually going to happen. Oh, wait. (Bernadette: Mmm.) We going to change it quickly and get it right. Now if my dad didn't make that call and make all the steel and rock up there and it just costs everyone money.

Tyron: You can bill it to the client but it's just, then the next time they considering **Steel Company** they say, (Darren: They don't know what they doing.) but why did that structure give us rubbish? Why did it take them so long?

Bernadette: So it's about reputation.

Darren: [Darren says something that is not clear.]

Tyron: And that reputation is proving, (Bernadette: Mmm.) is, is 19 years old now but is what we are swinging construction but heads of construction companies, who my dad worked with when they were younger, they've become, they've moved to the top ranks.

Alberto: Mmm.

Darren: Ja, one oke was a side agent, he's now a CEO (Tyron: Yes.) [A few words are not clear.] (Tyron: Ja.) literally the group.

Tyron: And, and what's happening there now is they know my dad on a personal level (Darren: [Darren says something that is not clear.]) (Bernadette: Mmm.) and all the rubbish I deal with in-between, when we shout and scream a little about that to the guys at the top, somehow stuff just eases up on us and, (Darren: Ja.) and it works here and there but where there's that break, if we had to start from the bottom and we don't know anyone, (Bernadette: Mmm.) it would be messy.

Darren: Well, what's happened is because my dad also, um, alienated himself from the erection side of the business, it's, he's 60, you know, he can't, it's physically impossible, it's, it's very tough. All the relationships with those guys, those guys that have moved up and up and up, but it's not who we dealing with. We dealing with the mid level guys. (Bernadette: Mmm, mmm, mmm.) (Alberto: Mmm.) Now these guys don't care who **Steel Company**, they've never heard of Ken Mansfield in their life, they've never done this, this, and they don't know, and they don't know how to speak to anybody and it just, they drive a hard show. Fine, they doing their job but they don't understand the experience that comes with the name **Steel Company** and it's a massive, massive thing for us is that, ja, we a little bit more expensive than the other guys but we do it and we do it once and then it's done.

Alberto: Do you market that?

Darren: We now are.

Tyron: We, we doing it but, to be honest, it didn't work on that site, um, because you do tend to push back a bit because you just come out of a strike. There was ze, the strike put lead times back by a month. What they did is accepted the client's push to bring the project ahead by a month so you had a 2 month overlap now.

Darren: It was 45 days that was squeezed on to us.

Tyron: So, so that was squeezed onto you, you can't go back and bill it to them because that's just no, not cricket, it's just, you know, not, it's not good form in the industry (Alberto: Mmm.) and I just came in and I said, over my dead body. I'm, they playing black and white with us and the reputation my dad has had, there's been zero consideration for that. There's been no ...

Darren: Because they'd never dealt with us. It was like, you know, ...

Tyron: The, the, the, the younger guys ...

Darren: I mean, you've never done me a favour, I'm not going to do you guys a favour. But we phoned the older guys and they like, listen, you know, back when Ken did that staircase in 1985, he helped me out, just let it slide (Alberto: Mmm.) and, and literally that's, (Tyron: Ja.) and that's something we having to recreate, um, but with the right players now, so ...

Tyron: And also on a more formal basis. I'm now quoting to the book. That's the cost, material, labour, sundries, margin, plants ...

Bernadette: And you transparent with them.

Tyron: That's, ja, (Bernadette: Ja.) I get a query from Aqueers, (Darren: If people phone you, you break it down.) he says, um, I'm just, Tyron, this is a bit higher than your last rate. Can you please justify the cost? And I said, well, material makes up 2.42 times the price, labour's, (Darren: We have to.) labour's that, this, do you have any more questions? Um, no, please proceed. But the minute, if I said, um, uh, you know? (Bernadette: Mmm.) so that's where I'm making us solid (Bernadette: Mmm.) from that point of view but it's still that, oh, no, your price is too high, so, and that's, he's trying to change but on that particular site Delta in Joburg it, the guys didn't care, we lost probably over a million rands worth of work because it wasn't pushed our way, because I pushed back like that. (Darren: Ja, they just took it all away. Just like whatever.) They didn't understand that, that risk it imposed on us. Tyron, I need this done! I need this done! I put our guys into overtime mode to help them with it, didn't claim the over time, and then when I talked to the director, he didn't even know about it and actually it wasn't needed in a hurry. Just because that junior guy can't handle the pressure, passes it on and I almost cracked and eventually, just last week Monday, I had a, I caught him on site at 18:10 and, I think, for the first time in my life (Alberto: Ja.) I told the customer to f-off and never talk to me that way again. I've wiped my, no, I've literally wiped my hands clean of him personally and his doings, so from that side, I never expect work from him again but what you'll find is that when he's burnt with the lower guys and these fly-by-nights, (Darren: Ja, it's actually just happened.) he'll come back and you'll, you will not believe the working relationship we'll have, (Alberto: Ja.) we will probably get on like a house on fire but for now ...

Darren: Because what's happened is in the process of getting burnt now, because the engineer went and saw the guy, he gave the million rands for the work for and saw they, (Tyron: Substandards.) they'd under specked their bolts, (Tyron: Under specked.) they under specked them, now you've got human lives at risk hey, and he's the engineer.

Bernadette: Mmm.

Tyron: So ...

Darren: So now, all of a sudden, he's going to get that whipping once and then he's going to remember what Tyron said and he's going to come back and, well, he will never come back but if he sees our name up one day, he's going to never, never admit it but if he does come back, I think the next time, if there's an opportunity to work together, there will be a completely different change in attitude that you actually speaking to someone (Tyron: Ja.) who actually (Tyron: Now it's consultant.) had your interest in heart. He act, Tyron actually had their interest in heart. It wasn't that we were trying to make money on them, nothing, it was actually a point of doing the job and doing it right according to the specs, and the, the other guys are looking at margins, ja.

Bernadette: Mmm.

Tyron: So that's, (Darren: Ja.) I think that sums up actually the construction industry. That's the, that's, like in a nutshell, but that's what we deal with on a day to day basis.

Alberto: How much is a r, how much of a risk is the health and safety aspect?

Darren: Massive.

Tyron: It's becoming a large ...

Alberto: No, inside here?

Tyron: Oh! As a risk, in terms of guys being injured and them (Alberto: Ja.) claiming against the company or that ...

Alberto: That and also if you chop off a finger on something (Tyron: Okay.) then the machine is safe.

Tyron: Well, Darren will tell you, our PPE bill sits, I'll give you a percentage, it's probably (Darren: Ja, we ...) 112, hey?

Darren: I must say, (Tyron: Ja.) we, we not overboard from a, from a occupational health and safety point of view because I find that if you too overboard it actually, it enforces danger. (Alberto: Ja.) It sounds ridiculous (Bernadette: Mmm.) (Alberto: People stop thinking.) but the more you worry (Bernadette: Mmm.) (Tyron: Exactly, ja.) you stop thinking. (Alberto: Ja.) (Bernadette: Ja.) So we very minimalistic, we do the basics ...

Tyron: If you put him in a shield and he uses a saw, he thinks he's safe, (Alberto: Ja.) so he'll cut faster and the blade snaps and, but when you put him there naked, and he's cutting a saw, believe me, he's going to try and put everything away to cut this thing. It's just horrible ...

(Bernadette and Alberto laugh.)

Darren: But it's unbelievable and, and, you know what, they starting to push that in Sweden, (Bernadette: Mmm.) Tubatsi Ferrochrome, (Not sure of spelling.) um, where I worked at, um, they actually starting to implement that. It's more of a common sense (Bernadette: Mmm.) logic approach. (Bernadette: Mmm, mmm.) Um ...

Alberto: Well, when you have to start writing, caution, contents is hot, on a coffee cup you know that human race is going for a bit of a dive.

Darren: 100 percent. (Alberto: Ja.) (Bernadette: Mmm.) Exactly. So, (Tyron: But we not, we not, we not ...) so from that point of view, ja, you know, when you go ISO and, and, we really start pushing them but we do.

Tyron: It will be imposed on us but not, not to a degree like other industries that have ...

Alberto: I'm just thinking because you've obviously got certain processes and if (Darren: Ja.) something were to happen on one of those machines (Darren: Ja.) and one machine stands because the Department of Man Power has to come out and inspect before you guys can restart, (Darren: Ja.) how does that ...

Tyron: Well, that, that actually, we've never ...

Darren: They came here (Alberto: Did they?) once. Ja, he got carried out like that, like that and he went without [A few words are not clear.] don't try and do something.

(Bernadette laughs.)

Alberto: Ja, because all the okes in here know their jobs are on the line [A few words are not clear.].

Bernadette: Did your dad do that?

Darren: My dad did that.

(Bernadette laughs.)

Tyron: No, it's, (Alberto: Okay, okay, okay.) it's more that, I think the, the high, in a, we, we aren't, we highly regulated but the regulations are there but it's almost like policing. It's about the policeman coming to the factory and looking and finding and they don't do that to us, I think, because we so small, but they'll go to your bigger companies and everyone else. If I had the AISI walk in here and inspect that our welders aren't actually coded but we doing structural steel work, there's a, there's a high chance they could just stop us [A few words are not clear.], but they don't.

(Pause as the group speaks to Ken.)

Tyron: But ja, I mean, I think, on the construction side that, that more or less sums it up, I mean, (Bernadette: Mmm.) from the risks in the customer is probably the largest that we have on the business, the external factors, (Bernadette: Mmm.) um, the internal, quality controls, I think that's next on the list and, I think, raw material.

Bernadette: Ja, you going ISO, you tend, you going to be thinking about it.

Darren: We going to get there, we've got very strategic meetings that we've already had (Bernadette: Mmm.) for 18 months time for, everyone's of the opinion in 18 months time Madupi will already start coming online properly, the resource swing will actually come into effect from an economic perspective, and I know, for a fact, that Anglo's completing all their feasibility studies for their entire projects throughout Africa. And now the companies that are the consulting engineers and that are looking to partner with structural steel guys and we've been looked at. But then you play a different, (Bernadette: In the big game.) that's a different game. (Bernadette: Mmm.) Then it's extremely regulated ...

Alberto: Those are Hatch, Hatch and DRA and Deluxe R, ja.

Darren: The second one, ja. That's the, (Alberto: Ja.) that's the big company, ja.

Alberto: We're, we're also doing a project for DRA now, some [The rest is not clear.].

Tyron: Ja.

Darren: Ja, so, you know, that's a pleasure because we want to play in the, in the, in the realm of doing things properly and accurately because if you don't you, anybody can do it then, you know, you want to do the difficult things because otherwise [Word not clear.] will do it.

Bernadette: You ...

Tyron: Differentiate yourself. Ja, I think ...

Bernadette: Yes, ja.

Darren: Differentiation comes about (Tyron: Mr Arnold's favourite saying.) when you jump through hurdles and you go through the rough stuff but when you on the other side, (Tyron: Ja.) you playing with guys who play the same game, the rates are good because of the, the, the quality and the expertise involved and, and, and that's, so that's the vision for (Bernadette: Mmm.) the next 24 months.

Alberto: Mmm.

Bernadette: Which means you going to need a PRi enge in the, in the business.

Tyron: Well, I'm, I am, I'm seeing that, I actually ...

(Pause as Darren speaks to someone.)

Bernadette: Ja.

Tyron: But that's where, that's where, um, I'll be getting it but I've already, I've, look, these guys because they assume that I must sign off or just do a drawing for this (Bernadette: Mmm.) and then I push back, I throw it back at the structural engineers to say I'm not, (Bernadette: Mmm.) even if I do a design, I, I refuse, I'll do a shop drawing, we send it through but I do not proceed with work if it's not signed off (Bernadette: Mmm.) by a structural engineer.

Alberto: Ja.

Bernadette: Mmm.

Darren: So, so that's, that's the strategy because ja, there's huge amounts of that we get through but it actually negates so much macro risk. You get rid of the rats and mice

(Bernadette: Mmm.) and then you playing with really good guys, you know, your Verges and Burgers and you do a 3 year project in Phalaboa (Alberto: Mmm.) and they do 600 tons a month for that job, every month, (Bernadette: Mmm.) so you get a whole team and you know for 3 years you going to make something incredible and it, it just, it just frees up the entire cycle. Your cycle is doing this instead of this (Alberto: Ja.) so you think it's nicely planned, it's just ...

Tyron: And in that, we've just spent the last 3 months teaching all these contractors our working ways (Bernadette: Mmm.) and we've had to let them go, so, from an industry point of view and something that I discovered during my research is at the end of the day, it's not such a bad thing in letting them go because the particular company that I did my Masters under was, um, they preferred to let them go because it raised the level in the industry (Bernadette: Mmm.) in their market ...

Bernadette: Because they'll go somewhere else (Tyron: They ...) having been trained by you.

Tyron: And having been trained, (Bernadette: Mmm!) so it actually, so I'd like to see it that when you let them go, if they get a job elsewhere, first of all it makes them marketable because they going to start proposing that this is how their quality systems need to run, this and that.

Darren: Ja, and they also going to ask (Bernadette: Mmm.) a different rate. (Tyron: Ja.) (Bernadette: Mmm.) The guys going to say, after this, no, I'm going to go somewhere else. No, but I want your expertise. I'll give you your rates and also [A few words are not clear.] proper now.

Alberto: Ja.

Bernadette: Mmm.

Tyron: And so you can lift it but, internally, you've just invested all this intellectual, you just invested all that time and in, in teaching them and showing them (Bernadette: Mmm.) (Darren: Mmm.) and now you have to let them go and that's where it's, it's tough on us because I'm a massive fan of, of knowledge and retention of it (Bernadette: Mmm, mmm.) and then, uh, you giving it away for nothing. And it's ...

Bernadette: But the thing is if, if you start growing you know which guys to look for.

Tyron: Oh ja, (Darren: Ja.) we told them yesterday (Bernadette: Mmm.) they first on the list but, (Bernadette: Ja.) and they have to be because why am I training them for nothing?

Darren: There's also a fine line, you can teach guys your ways and your process but don't teach them the intricacies of your design (Bernadette: Mmm.) that actually made it successful.

Bernadette: It's the IP.

Darren: This is the IP. (Bernadette: You protect the IP.) Everything sits within IP. (Bernadette: Mmm.) So they might sit here and they call out this and that and they've enabled us to get quality structures all the time. It's going to take a special person to actually sit back and say, okay, the shop drawings go there, this is the process, this is how Tyron's looked at it from that point of view and then it moves there and that's how we got control there and it, an employee is not going to do that (Alberto: Ja.) but that's where, that's where the money lies, you know?

Bernadette: Mmm.

Tyron: Because that's our operating mode, essentially.

Darren: So (Bernadette: Mmm.) he can go to another company and say ja, but I call out here, and they say, no, but we do it like this, and, you know, and he welds very nicely because we've taught him to weld nicely (Bernadette: Ja, you, ja.) and that's cool (Bernadette: They don't understand the reasoning.) but in terms of the greater system (Bernadette: The reasoning.) (Tyron: The strategy.) the strategy and the reason behind (Bernadette: Ja.) the whole thing, (Bernadette: Mmm.) that we hold very close to the chest.

Bernadette: Mmm. So you said, how would you describe your operating model?

Tyron: Well, from the construction side operating model, that's essentially it's almost a process from tender to, to getting it out the door is receiving a tender, you, (Bernadette: Mmm.) you quote, you receive approval to say please proceed, (Bernadette: Mmm.) at which point you order raw materials, (Bernadette: Mmm.) you carry on (Bernadette: Mmm, mmm.) and then from the detailing side (Darren: Ja.) you must do detail your drawings further (Bernadette: Mmm.) that you received from them while you waiting for your (Bernadette: Mmm.) material, (Bernadette: Mmm.) so that's running processes in parallel which drives your efficiency up a little bit. And then, from there, um, once your drawings are, are done, we actually don't have any internal checks, which is where the mistakes happen either on my dad's desk or my desk, but there's questions asked on the floor, which like doesn't matter, but anyway, so that goes then to the floor where boiler, where cutting lists are generated and all of this would have been cut and ready, stacked here, (Bernadette: Mmm.) labelled, C3, see all the labels (Alberto: Mmm.) and from the labels the, the, (Bernadette: They can assemble.) the [Word not clear.] state operating was to have material just lined up and (Darren: Mmm.) literally job, job, job 1, 2, 3, 4, 5, and then, (Darren: And the flow will change.) (Bernadette: Mmm.) (Alberto: Ja.) then boiler maker's pulling on that because then they pulling on it and they, you not pushing with your system.

Darren: Essentially you have raw material cutting, cutting to your fabrication [The rest is not clear.].

Tyron: And then our planning from our planning side, that is all put through a planning model, (Bernadette: Mmm.) which is discussed every Monday morning in a production meeting. (Bernadette: Mmm.) There's often expedites but the expedites are pushed in-between that but before we commit any expedites' dates to the clients, we look at the, (Bernadette: Mmm.) the, basically what we've got on our plate [A few words are not clear.]. And then, ja, from there it goes out the door, (Bernadette: Mmm, mmm.) painted and it goes out the door once it's made (Bernadette: Mmm, mmm.) and that's, it's a simple operating model but, I think, it's, it's imbedded in the business but as soon as we get to ISO accreditation I'm going to have to document it and enforce it. So actually this job with PFG, although it's imposed all this paperwork and quality it's actually the quality system I'm trying to implement so it's almost kind of forced me to do a test run, (Darren: Do a bit of a pilot.) like a little pilot.

Bernadette: Mmm.

Alberto: Those kinds of things are always good because [The rest is not clear.].

Darren: Ja, and it's a challenge [The rest is not clear.].

Tyron: And that's why I don't look at it in a negative light but it's in turn where, so if the risk is raw materials sitting on the books and I can't invoice it because I can't start work that versus I'm now able to actually see how PFG wants quality to be done, I learn a few lessons from how they do it and then along with maybe change my quality system more to adapt and then, all of a sudden, I'm a preferred supplier to the client who does work for specialised companies like that (Alberto: Ja.) because now I've got all the systems in place, (Bernadette: Ja, and ...) so that's how I'm looking at it.

Bernadette: And if you moving into the big, the big game, (Darren: Have to.) you going to have to a [Word not clear.] (Tyron: But then from a rand ...) and also the certification of your welders the PRinge, ...

Tyron: And from a manufacturing point of view, (Bernadette: Mmm.) when you've got s, cut steel lying around labelled, if, if it's not labelled and if it's not checked against the drawing, (Bernadette: Mmm, mmm.) a guy will pick up a piece of steel and weld it on the wrong item.

Bernadette: Mmm, mmm!

Darren: And also, what people don't understand is when you really running like with us, in the event that we've taken over now, essentially we wanting to take the company to a new level otherwise we wouldn't be here, you know, (Bernadette: Mmm, mmm.) we could carry on running and it's a lifestyle business that supports a family but now it's two families. So we essentially have to look at it from a very, very strict (Bernadette: Mmm.) business point of view (Bernadette: Mmm.) and in order to do that you need complete control because we also need to make sure that the financials (Bernadette: Mmm.) are exactly transparent at any one time to what's happening here (Bernadette: Mmm.) and the only way to get that is through your controls, (Bernadette: Mmm.) so if all our raw materials sitting up, if this is here, or this is item that, that, that, that's what that costs, it's been fabricated, that's what the value is at the work in progress stock. (Bernadette: Mmm.) Boom, there's my stock figure on my balance sheet. He says, uh, ...

Alberto: You very lucky that you working with a finance person who actually understands (Tyron: Ja well, that's ...) operations (Tyron: And ...) because a lot of guys (Tyron: But exactly, and that's ...) save the company to bankruptcy.

Tyron: And that's why I'd be lost if I came here without Darren because I wouldn't be fully aware of this overdraft thing and the, you know, paying suppliers (Alberto: [Alberto says something that is not clear.]) (Darren: Ja.) and creditors and managing the cash flow because my focus is technical and that's why I think it was, it was an, uh, a either or, it, it wouldn't have happened if Darren and I didn't come together because, (Darren: Ja.) I think, we would have, I would have loved to believe I could do it by myself but actually I wouldn't be capable ...

Darren: And I also, and I felt the same way.

Bernadette: Mmm, mmm.

Tyron: And then, from the site side, so, I think, that's why it was like it's all or nothing, um, because I, if I was here by myself I'd be sweating with it, wouldn't be sleeping, stressed out of my back wondering where stuff's going. I could have learnt but not in the time we needed to.

Darren: But you not going to grow because essentially, Tyron will just become the information constraint that my father is. It doesn't help.

Tyron: Then you become part of the problem (Darren: Exactly.) because ...

Darren: Together you need to build the systems (Tyron: Ja.) and the system is meant to be the efficiency thing, it's not the people. (Alberto: Ja.) Tyron and I don't have to be efficient, we need to manage an efficient system, (Bernadette: Mmm, mmm.) (Tyron: We need to play Chess.) and that's the only way it becomes scalable.

Bernadette: Mmm.

Tyron: And my adamant thing and when I pull myself out of the detail is when I find myself becoming what my dad is now, I stop what I'm doing and I walk out the door and go for a breath of fresh air because as soon as I become part of the problem and, (Darren: You don't want to mould.) and mimic what my dad's been doing, there's particular things which he's done which has kept this business alive but there's particular things on his role which has restricted it from growing and part of that is that, just that information flow. (Darren: Ja.) So the faster I can get information through myself and just pass it on and put a person in my place and get an estimator in (Bernadette: Mmm.) to estimate. (Darren: The responsibility.) My dad's doing three people's jobs. He's doing procurement, he's doing estimating, he's doing, um, detailed drawings (Bernadette: Mmm.) and a bit of production manager, so four. (Bernadette: Mmm.) Now, for me, it's that I must have a production manager, I don't screw with his plans, I help set up a system (Bernadette: Mmm.) for him to operate through, impose priorities on him, then I leave him alone.

If I hear that a piece of steel, this has been made wrong ...

Darren: To ensure [Word not clear.] controls are flagging, (Tyron: Ja.) that it's not (Tyron: Ja.) doing anything, it's his goal (Alberto: Mmm.) that you come down and ...

Tyron: But what my dad always had to do is walk around and see, is this being done right. No, you know, (Bernadette: Mmm, he's a, he's ...) that's not his job. (Bernadette: Mmhmm.) He's a director, you know, (Bernadette: Mmm.) that shouldn't have, so from that side I'm driving that. There's roles, there's responsibilities.

Darren: And with us changing it a bit from that, you all of a sudden in control and there's a lot more, Tyron and myself and everyone will be a lot more involved here, then all of a sudden (Bernadette: Mmm.) you can drive the system (Bernadette: Mmm.) a lot more. (Bernadette: Mmm.) Um, right now, when you off site and you can't, it's so hard to implement something from an arm's length. (Bernadette: Mmm, mmm.) (Tyron: [Tyron says something that is not clear.]) You've got to be here and the initial push, you've got, you've got to implement it so hard that eventually the guys can't live without it and that's the design (Bernadette: Mmm.) philosophy we looking at but it still is very hard.

Bernadette: It becomes part of a culture of the way you do things.

Alberto: Mmm.

Darren: It has to, has to, has to!

Tyron: My, my rule is, is you force, you force a system on them, and I did it when I was consulting, I, I force a system on them and make them use it for a week. They hated every minute of it but then, all of a sudden, the intricacies of how it worked would come along, I stepped back completely, and all of a sudden, (Alberto: [Alberto says something that is not clear.]) no, then they, then they dropped it for a week, I'd wait another week and then, all of a sudden, they slipping up and then, and then they see the benefit of it and then, all of a sudden, you create the need for the system again and then they start asking you for it and then, that's what I'm doing here, I've just, Francois, that file is, is our priority file. It's rough and ready, it's like, there's a label on it, that's it. But there's only five drawings in out of ten which (Bernadette: Mmm.) just works on the floor. Walk away, now, all of a sudden, what I see as I open it is he's slipped another drawing in it because it's helping him prioritise and then, and slowly that's how, how I try impose these things (Bernadette: Mmm.) and then without knowing, he's doing it because it's helping him. But if they push back we will change it. (Bernadette: Mmm.) (Alberto: Ja.) If it becomes a white board, who cares. But it's that, almost that continuous improvement then we try, I do in a passive way because if I force it on guys, they push back, they become stressed, (Darren: Because it's a new change.) they make mistakes because he's trying to use the system which doesn't fit the glove or his hand (Bernadette: Where you can ...) and, you know, that's ...

Bernadette: You allow them to discover it themselves, in a way, through guidance.

Tyron: Ja, and then they not designing it, I mean, (Bernadette: Mmm.) an example is the Powder coating plant, (Bernadette: Mmm.) just a design thing there, I just said, guys, we need this. I, technically I could sit and design and take me half a day, I want a box, we can't waste this powder. No. And it annoyed Francois so much, I got under his skin so much that, and, intentionally that, then I go quiet, then I go to my office ...

Darren: He says I'm going to make Tyron happy. Then he [The rest is not clear.].

Tyron: No, ja, and then he's sitting there and now I've actually got his interest because he's like, flip, we are wasting a lot of powder. (Bernadette laughs.) Now he's looking at the floor and thinking, ah well, we just need a steel tray. He says, come look here. He says, he hasn't walked out of that square, (Darren: Ja, you give them half ...) and all of a sudden he's taken an hour out of his time and he's looked at it and then he does it. And from a management

point of view, that's the only way, I think, we going to drive things here because it's too old school, dealing with a tool maker who also is very old school and don't share [The rest is not clear.].

Darren: Rys, vleis en aartappels en AWB.

(Bernadette laughs.)

Tyron: And that's something critical that I think, ja, and that's, and that's how we, (Bernadette laughs.) well, that's how I'm driving changes (Bernadette: Ja.) on the operations side, (Bernadette: Wow!) so, (Bernadette: Mmm.) and that's, that's having learnt at Lawsons because I was also chucked in the deep end there and, and you learn, learn to survive, so. (Bernadette: Ja.) (Darren: Ja, also ...) But I don't know, I think that's, that's ...

Darren: But there's, there's other things that the process gives risk mitigation (Bernadette: Mmm.) that the guys don't realise when you there, specifically in SMEs is the inefficiencies, so you got a very dynamic environment, (Bernadette: Mmm.) you can change, you can chop and change (Bernadette: Mmm.) but in terms of the efficiencies around your, your, your management of the process, when you cost something, (Bernadette: Mmm.) how do you cost it? Okay, so you cost it in a certain way but you also cost it according to a detail because you not going to say, okay, can I make that gate. Okay, I will give it to you next week Friday. Cool, if I could have done it on Thursday and then done another gate and done it on Friday, on the same resource you can double the output. So your costing becomes completely different. (Bernadette: Mmm, mmm.) So we going to drive the process to drive our costing as well (Bernadette: Mmm.) because I'll understand how long everything takes, (Bernadette: Mmm.) what's the lead time (Alberto: Mmm.) to manufacture, and once you've got that process sorted out that then goes back into your costing, you can recost and because you managing it to the nth degree, you become (Bernadette: Mmm.) more competitive as a result (Bernadette: Mmm.) otherwise you have too much inefficiency in your costing (Bernadette: Mmm, mmm, mmm.) and probably ...

Tyron: Basically reducing the error on your costings in terms of your time (Darren: Ja.) estimates. (Bernadette: Mmm.) (Alberto: Mmm.) Your raw materials that stays the same, goes up by 6 percent or whatever (Bernadette: Mmm.) every year, um, but it's the time, (Bernadette: Mmm.) so now that's my job is learning how long it takes (Darren: Cause ...) and on that quote this morning that I did, it was quite a big structure, (Bernadette: Mmm.) quite repetitive, (Darren: Mmm.) got the production imaging, I got my dad, I got each

person's opinion separately and I did the raw material, that was quite easy, labour, I gave my estimate, I sat with Francois, I got my dad's. When I work back our per kilo rates, it came back to a figure which in construction they just say, on average you must do it at this kilo rate, that's just the norm. (Darren: Because of the inefficiencies.) (Bernadette: Mmm.) But now, what I came from is what does, what are our internal costs, our recovery rates, everything, our material costs, our actual costs and put a margin on it, what per kilo rate do I come to? And it was exactly the same. Now, all of a sudden, I know I'm competitive and that I can do it and I was actually a little bit below. So, cool, and now when I tell my dad that price, he says, that's a bit low because he's used to the industry norm. (Bernadette: Mmm.) And I'm like, we can actually do it for that and still make a decent margin.

Darren: But you've got to drive it. (Bernadette: Ja.) The second you above that, (Tyron: Ja.) all of a sudden, you losing your margin. (Bernadette: Mmm.) Um, so ja, so that's, that's what's actually (Bernadette: Mmm.) become very, very interesting for us is that the competitiveness of SMEs has actually become directly affected from the inefficiencies in their costing and (Bernadette: Mmm.) and process managing. (Bernadette: Mmm, mmm, mmm.) If you manage your process to the nth degree, your costing becomes incredibly accurate, (Bernadette: Mmm.) and you will find now guys (Bernadette: Mmm.) won't understand now how can he do it that cheap? It's impossible. He's not making any money. But you maximising utilisation, you maximising your time and your process. So they call it "fixed cost dilution" (Bernadette: Mmm.) because you going to have that fixed cost, it's going to be there (Bernadette: Mmm.) in that x amount (Bernadette: Mmm.) of hours. (Bernadette: Mmm.) But what can you do in those hours?

Bernadette: It's the efficiency. (Tyron: Mmm.) Ja.

Darren: So the efficiencies dilute your fix cost.

Bernadette: Mmm, exactly.

Tyron: So, ja.

Alberto: But I mean, do you guys ...

Bernadette: And do you think that, for SMEs does that actually contribute to the sustainability then for businesses who are (Darren: I think it's right ...) doing it?

Darren: Ja, that are doing it (Bernadette: Ja.) and it's the downfall of those that aren't.

Bernadette: Okay.

Darren: Single manager.

Tyron: And that's why when we ...

(There is then a brief discussion between Bernadette and Alberto.)

Tyron: Your, your old school generation is why that skill set is just, they exiting the market because they like, I can't do this (Bernadette: Mmm, mmm.) (Darren: No, they just, ja, they don't understand ...) because they don't understand like this ...

Darren: Because they've never had competition (Bernadette: And ...) like is (Bernadette: Ja.) currently in the market they don't understand it.

Bernadette: But the businesses are viable if only they had the right expertise in it.

Alberto: A-ha.

Tyron: And, and you know what it comes down to, and it's something my dad's auditor actually just, (Bernadette: Mmm.) Darren and I said it was costing, (Bernadette: Mmm.) he came from all the companies he consults too and said it's costing.

Darren: Get your hand on your costing, you guys will survive. (Bernadette: Mmm.) Carry on costing the way you doing now, you won't be in business by December. (Bernadette: Mmm.) And that's what Tyron and I are becoming extremely pedantic about.

Tyron: And it goes as far as a spreadsheet on how the standard products are. There's a little spreadsheet I developed while I was at Lawsons, and I always get teased for using XL but, uh, engineers, you know? And, uh, (Alberto: It's effective.) ja, and I, I costed everything, (Darren: [A few words are not clear.] He does it.) (Bernadette laughs.) I costed every item that went into this product, gave an estimate on, I closed my eyes and I literally pictured the guy drilling a hole and I start and stop my stuff like that. (Darren: Actually cost the processing.)

I close my eyes, I start it and I'll actually play the process through, so that's where a bit of experience comes in, stop the watch, and I look, 15 seconds, okay, I'll make it 20 or make it 30, and then, (Bernadette: It's work study you doing.) ja, and then, ...

Bernadette: It's called work study.

Darren: Ja, exactly, your time [A few words are not clear.] (Bernadette: Ja!) so if it, that whole thing but it's been lost.

Bernadette: Mmm.

Tyron: No, but now it's from [Word not clear.], now you, now it's, it's, it's now predicting a cost before you even made a drawing (Alberto: And also which ...) and from that side then, I cost it like that, do a full activity base (Bernadette: Mmm.) costing on paper, and on that particular item I ran how many people I would need permanently working (Bernadette: Mmm.) on this item (Bernadette: Mmm.) based on the standard times in my head, they like yes, and that you got working process stop. And it came down to two and a half guys to do x amount of units in a week. When we visited them yesterday, he's got two and a half guys to do the x amount he needs a week.

Alberto: And they coping?

Tyron: They, ja, they coping, in the beginning it was rough but now you passed your little mark ...

Bernadette: You go the learning curve, ja.

Tyron: The little bath tub curve, they've had rejects, they made 50 of them wrong and they ...

Bernadette: And their learning curve has flattened out.

Darren: Ja, it's going to, (Bernadette: Ja.) and once it's flattened out there, you've costed it there and you (Bernadette: Mmm.) slightly more efficient (Bernadette: Mmm.) in your costing (Bernadette: Exactly.) also.

Bernadette: Mmm.

Tyron: And now the setups are there, the process is there, and I based those times on the future state then starting out. You make no money in the beginning, knowing that, (Bernadette: Mmm.) you going to be working inefficiently, guys are learning, also they find quicker ways to do it, (Alberto: Ja.) so then I re-evaluate that time. Now it's nice, I put there 30 seconds, in my mind I remember doing it for 15, and I actually go and time him, he does it in 10. Now, all of a sudden, you faster then ...

Darren: And that's and that's per margin, (Bernadette: 20, ja.) that's per margin. You don't reprice the product (Alberto: Ja.) (Bernadette: Mmm.) but you can hold your price increases longer then the next guy. (Bernadette: Ja.) So he increases, you say, I'm still on the right side and you squeeze him out then.

Tyron: And that mitigates risk as well because when Darren goes and sees a customer he says, oh man, you must import at that price. What can you do it for? (Bernadette: Mmm.) Ah, I can do it for that price. We, we have to be fully committed to that price (Alberto: Ja.) and at Lawsons they dealing with a customer who buys that product by the thousands every month. So if your costing's wrong and you, and you commit to that price (Darren: Ja.) and you making thousands, all of a sudden you going to see, I'm under recovering. Why? (Bernadette: Mmm.) And then you look, I'm not making money. Why? No, you don't know which product

it is. You actually, because if your product mixes are, which product's losing you the money? (Bernadette: Mmm.) And, and that's where now we trying to [The rest is not clear.].

Darren: Because also, like Tyron said, you can actually re-evaluate, (Bernadette: Mmm.) so this business had times studies done on it in the year dot (Bernadette: Mmm.) and, uh, and, and those are still used in my father's costing. And it's unreal how he's actually still quite close but the mentality of staff and how staff are driven is very different today. (Bernadette: Mmm, mmm.) So I've already found inefficiencies there and only getting to the efficiencies that he's talking about if you've got one, uh, huge volumes coming through but the second you starting to get mac, a, a, (Alberto: Smaller.) jobbing, (Alberto: Ja.) it, it's becoming a bit ...

Tyron: You set up [The rest is not clear.].

Bernadette: Mmm.

Darren: So, so ja. So it's, it's, process and costing is (Bernadette: Mmm.) becoming everything. So your SMEs that are service based, different story, but manufacturing SMEs (Bernadette: Mmm.) if they don't understand that, they not going to be around very long because ...

Bernadette: But they, they haven't done a post grad. (Alberto laughs.) They haven't done Industrial engineering (Darren: But, but what we keep on saying ...) and they haven't got finance.

Darren: Ja, but we keep on saying to the guys ...

Tyron: I will recommend exactly what courses someone has to do if you want to have an understanding of [The rest is not clear.].

(Alberto laughs.)

(Alberto and Tyron then have a discussion which is not very clear.)

Darren: But the thing is, a lot of guys they survive that trial and error in their (Bernadette: Mmm.) relationship (Bernadette: Mmm.) will carry them through (Bernadette: Mmm.) and then they will actually figure it out (Bernadette: Mmm.) because it's not rocket science.

Bernadette: Mm-mmm. No! No, (Darren: It's not.) it's common sense but common sense is not that common.

Darren: Ja, exactly. (Bernadette: Mmm.) Um, but what we also find in, is, is, um, with the old views, if you look at how many people are educated in a formal basis to, (Bernadette: Mmm.) the older guys, and a lot of your SMEs are older guys! They are.

Bernadette: They are. Over 55.

Darren: Especially in manufacturing. (Bernadette: Mmm.) We went to the steel awards dinner, I might as well have gone to an old age home. (Bernadette and Alberto laugh.) Literally the guys that all own the big companies, (Bernadette: Mmm.) I promise you, they all over the age of 50, (Bernadette: Mmm.) 55.

Bernadette: Mmm!

Tyron: But worth mentioning, at the steel awards, that drove our price this morning was one hand shake with an individual of, it's a competitor, he is, he's the, I think, the MD and it's, Johnny Miller (Bernadette: Mmhmm.) from [A few words are not clear.] industrial, (Bernadette: Ja.) [A few words are not clear.] going, I saw him, hi. What do you ... No, we in this. They know about us. Ja, if we got work, I'll send it your way. That quote I did this morning was just one phone call, one hand shake, took about, it was a minute conversation. (Darren: Ja, so, so it's a ...) That's how easy it can happen but if you don't put effort into go and do that [The rest is not clear.].

Bernadette: Ja, go and do your networking, go and show your face in the right places ...

Darren: Well ja, so, so on the, on the one (Bernadette: Mmm.) aspect of the business now is this high process costing, (Bernadette: Mmm.) that's all fine and well, you've got to have the push (Bernadette: Business.) of products (Bernadette: Mmm.) (Alberto: Mmm.) coming through otherwise you going to die. (Bernadette: Mmm.) So, so whilst Tyron and I understand exactly what we want to do, we have to get this place busy (Alberto: Mmm.) to be able to do it. (Bernadette: Mmm.) Um, so, so that's where my role's come in, um, I'm a, I'm a prostitute.

Bernadette: Strike that.

(Everyone laughs.)

Darren: I sell myself on a daily basis.

Tyron: He knows he's ground every day.

(Bernadette and Alberto laugh.)

Darren: But what I'm, you know, what I'm trying to do is just to establish relationships (Bernadette: Mmm.) (Alberto: Mmm.) because the older business has older owners (Bernadette: Mmm.) a large portion of the time, (Bernadette: Mmm, mmm.) and older owners like to deal with older people. And it's not, young people don't like to deal with older guys. (Bernadette: Mmm.) They don't like to phone Uncle Ken because he's a cynical old bugger who's been in manufacturing too long. (Bernadette and Alberto laugh.) And you don't, and it's, it's 100 percent that (Alberto: Mmm.) whereas I can go out and flutter my eyelids and look deep into her eyes (Bernadette laughs.) and sell my product.

(Everyone laughs.)

Darren: And it's essentially that because you can have all the fancy processes in the world but if you don't have that, you, you nothing and I think, that's at least one thing we understand is because that's how my dad survived. (Alberto: Mmm.) He got a bit of a handle on, on the process and what needs to be done and experience but he has become such a, I don't know,

such a figure in, in construction, it's Uncle Ken, everybody. (Bernadette: Mmm.) Ja, yesterday, meeting with the guy who's running the 1.2 ...

Tyron: The guy who's, who's 60 and my dad's 50, he calls my dad Uncle Ken. I mean, it's just ...

(Bernadette laughs.)

Darren: Ja, it's just, he's so cynical (Bernadette: Ja.) and so, but the guys get it, if you get it you love him, and, uh, and, and that's actually the reason why. We were, (Bernadette: Mmm.) we were quiet, hey, and I was, I was like, no, no, we do this, and sending out catalogues here and this person, new person, (Bernadette: Mmm.) my dad picked up the phone, and he put it down and he picked it up again and he walked and he put his head out his door, yes, you've been on the phone a lot hey? And I said ja. He's like ja, I've just written R600000 worth of business, how much have you done? (Bernadette laughs.) And that's essentially because he just said, Pete, I'm quiet. Ken, here's work. Literally because they don't like to see Uncle Ken battling and these are the old guys. And the relationship is so strong that, um, one of the big, big, big construction companies there's, has a huge tender out at the moment, it's a billion rand job, (Bernadette: Mmm.) two, two tendering, uh, two quoting big construction firms. They choosing the construction firm based on my dad's recommendation. Who are we? I mean, you know, you know, they, they, that site they turn our entire year's turnover in a day but they basing it on who my dad, because of his experience and that, and of course, (Tyron: [Tyron says something that is not clear.]) we will get work there because, (Bernadette: Mmm.) so it's quite funny because if it goes to this company we will get work, if it goes to that company we will get work because the guy, sitting right at the top, saying, Ken, these guys are still the guys that today, I believe they, no, they not [The rest is not clear.].

Alberto: So then that's a massive risk for you guys hey, that your dad is a ...

Darren: Ja, because he's telling both of them to use us.

Alberto: No. That your dad is what, what carries the business in times like that.

Tyron: At this stage. Massive!

Darren: At this stage and that's why he's here and that's why Tyron and I have to free his time from an operational point of view that he can climb in his car and go and play golf with all the old boys and ...

Bernadette: And feel good and network.

Tyron: And know ...

Darren: And feel great and, because he's, without knowing it, he is so good. He, he thinks everyone's a this and a that and, (Alberto laughs.) but what he doesn't realise is he's actually so good at networking.

He's always said, I can't sell anything. (Tyron: Whenever he ...) I've never been able to sell anything.

Tyron: Whenever he picks up a phone, the very first words are never ever what he's looking for or ... Whenever he's on a phone it's always personal, (Darren: Ja, how's your wife? How is ...) (Alberto: Personal.) a personal message first and conversation (Bernadette: Mmm.) before and that's like just to ...

Darren: And then a moan. (Bernadette: Ja?) And then it's what I'm going to ...

Bernadette: And oh yes, oh ja ...

(Everyone laughs.)

(There is then a brief discussion of moaning and how it worked at a meeting that Darren and his dad went to.)

Tyron: At this stage it's been a part of our little business plan is to make the guys know out there that it's, they doing the wrong things by passing this work onto the cockerels, (Bernadette: Mmm.) as we call them, these fly-by-nights (Alberto: Mmm.) and that, in a way, we suffering, and you know, we suffering and when we no more and there's a big drive in the construction industry or within one of the, (Darren: We trying to create partnerships.) (Bernadette: Mmm, mmm, mmm.) the, the contractors to basically, they've realised this and they having to partner. (Bernadette: Mmm.) So now we saying, well, we have our moan, but now we saying we there to partner, (Alberto laughs.) (Bernadette: Mmm.) and the moaning is going to disappear and then we just going to be guys.

Bernadette: Ja, so it's the building of the trust relationship like, ja.

Tyron: And part of that cutting customer down to size, that one guy is, the par, the risk imposed on us is far too great, (Bernadette: Mmm.) I've kept pushing back. He said, I need this done by tomorrow. (Bernadette: Mmm.) If I did that it would have cost me a fortune. (Bernadette: Mmm.) So I just left it, left it, going against [The rest is not clear.].

Darren: Because we also, you dealing with ...

Bernadette: It's risk avoidance.

Darren: Ja.

Tyron: To mitigate the risk and told Wane Arnold (Bernadette: Mmm.) that I told the customer to f-off and he's eyes did this because he's belief customer is king. (Alberto: Ja.) But if I didn't do that I would have, that site would have cost us probably big time.

Darren: No, it would have klapped my cash flow (Bernadette: Ja.) I mean, I would have gone [The rest is not clear.].

Tyron: But now he understands how we operate.

Bernadette: But you know, what goes around, comes around.

Darren: No, it did already.

Bernadette: Ja.

Tyron: No, it's done already but now, all of a sudden, he knows, he's educated a little bit. (Bernadette: Mmm!) now the next phone call I got from him was completely different attitude (Bernadette: Mmm.) and, what did I do? I did the opposite. I then helped him where I didn't have to (Bernadette: Mmm.) and, and came in ahead of time. Ag, it's a give or take thing, there's nothing black and white (Bernadette: Mmm.) in construction. (Bernadette: Mmm.) (Darren: Ja ...) Standard product, it's, you get a phone call, purchase order, you know what to make, you make it, (Bernadette: Mmm.) it goes out. (Bernadette: Mmm, mmm.) Construction is like having babies and everything on the way and then eventually it goes out the door. Ja, that's ...

Bernadette laughs(.)

Darren: No, it's, it's, it's a very interesting ...

Tyron: Which, I don't know if we should go inside and have a ...

Darren: Well, let's just walk one side of the ...

Tyron: [Tyron says something that is not clear.]

Bernadette: Let's just walk round the, the pl, the ...

Tyron: But that's, ja, a lot of [The rest is not clear.].

Bernadette: So you, you, the receiving's in here of raw material ...

Tyron: It's receiving and outgoing at the moment. (Bernadette: Ja, so ...) I actually want to develop a U-shaped cell that your incoming raw materials either, either all that side (Darren: Break that wall away.) and then it goes in a U and eventually comes out here.

Bernadette: And this is your construction process. You'll have a U ...

Darren: Ja, and it runs around the back. I'm not sure ...

Tyron: At the moment ...

Bernadette: Oh, it also goes round the back, okay.

Tyron: At the moment it's, it's very whatever.

Bernadette: Ja.

Darren: Because what happened is the construction was born out of necessity really (Bernadette: Ja, I remember that, ja.) in 1997. 1997 this company used to make all those small post boxes, those P.O. boxes, in the country, so it was a very production orientated, and that's my dad's passion is production. Um, and, well, we all know what's happening with the post office now but it happened then, and 4 contracts were cancelled, all procurement and 96 percent of the business was lost literally within 2 weeks. (Bernadette: Mmm.)

Um, so my dad went into crisis mode because at that stage he still had to buy the property, he was bonded, he had children, (Bernadette: Mmm.) he had everything, (Bernadette: Mmm.) so he said, okay, what's happening and he heard about Carnival City (Bernadette: Mmhmm.) being built. And he thought, well, I've got a brain, I've got a factory and I kind of know steel. And he went in there and the first thing he ever was a decorative Plasma cut thing and he started by, he bought a little Plasma cutter, and he cut out a sun and he got it sprayed and it was on, and, on Carnival City's, uh, their pilot plant. So the one with the big ball on?

Alberto: Ja.

Darren: We did that ball.

Bernadette: Mmm.

Alberto: Oh!

Darren: Ja. Now my dad had never done construction in his entire life before and took on that.

Bernadette: Shoh!

Darren: And that's just, and that's guts that ...

Tyron: And that's where the relationship with, with WBHO started (Bernadette: Mmm.) and it's been going ever since.

Darren: And that's why my mom's laptop, even today, will have a background of Carnival City because it's literally the company, the, the project that saved us (Bernadette: The focal company.) and since then it just quickly developed into, to a majority of the business and before we knew it we preferred subcontractors to the extent that at the airport we did a thousand tons of steel. (Bernadette: Shoh!) Uh, you know, so ...

Bernadette: That's wonderful. Ja.

Darren: Ty, I don't know if you want to show Alberto just here in terms of how the flow of material runs? So ...

Tyron: Ja, well, do you want to follow the process?

Darren: Ja, follow the process.

Bernadette: Let's follow the process.

Darren: So this is soon to be upgraded.

Bernadette: What, that is your storage.

Darren: This is going to be a mezzanine floor. I want to put a mezzanine floor in here and when we have specific floor material. So what happens is this is my receiving, so receiving's both sides now. You got receiving for construction (Bernadette: Construction and receiving ...) and receiving for my, uh, my sheet metal. (Bernadette: Sheet metal work.) And then it's flows and then it's gelatines, so they cut, (Bernadette: Cut to size.) cut to size, comes up here, they have to punch it if they have to punch it, these are punching machines. And then, then, all of a sudden, it can break up. If you want to cut it to size, you can split it and run parallel processes against different parts. (Bernadette: Mmm.)

So these are your notching machines that notch up corners so you can (Bernadette: Okay.) bend up steel.

Bernadette: Ja.

(Tyron explains the same process of notching to Alberto.)

Darren: So like if that's bent down and that's bent down (Bernadette: Ja.) there's a (Bernadette: It just, ja.) square that's cut out.

Tyron: And that's notching.

Darren: So you start notching and ...

Bernadette: Mmm.

Tyron: And it comes to bending.

Darren: Then you bend it up.

Bernadette: You bend it up, ja.

Darren: And once you've bent it up ...

Tyron: Spot weld.

Bernadette: Spot welding.

(Slight pause.)

Alberto: Is your guys, um, new product development based on what capabilities you have or you guys (Tyron: Ja.) (Darren: Ja.) keen to (Darren: Ja, so essentially ...) put new machines in before you even ...

Tyron: No, current capability (Alberto: Okay.) and tooling, even, (Darren: Even tooling. Ja, even with tooling, everything we could make.) even, and, and good technology is the, is the textbook term, (Alberto: Ja.) but if I've got a tool that's 80 millimetres wide and I, and the drawing says, that's going to punch a 80 millimetre hole, and the drawing says a 75 millimetre hole. (Alberto: You make it 80.) (Darren: Yes.) I phone the customer, can I make it 80. Yes. (Alberto: Mmm.) Okay cool, thanks. And that's how [The rest is not clear.].

Darren: Every new product that we've put into production has not had a single tool made.

Bernadette: It's asset specificity you working with that your assets are specific and you, that you use them, well, I don't know if, is that the right term, asset specificity.

Darren: We call it group technology.

Tyron: I know it as group technology (Bernadette: Ja, ja.) in, in manufacturing because a whole lot of ...

Bernadette: But I'm talking about economics.

Tyron: Oh, from that side!

Darren: Oh!

Bernadette: From an economics perspective. Didn't you do that in economics?

Darren: We probably did hey.

(Bernadette laughs.)

Tyron: Well, what you end up, what ends up happening is using the same tool to generate (Darren: Ja.) in different revenue (Bernadette: Ja.) streams within the business or whatever's ...

Bernadette: But do, do, I think, asset specificity means that your assets are very, are sort of, um, specific to the time, (Darren: Ja, the role that they ...) the role that they play is very specific.

Darren: They role specific, so that bends.

Bernadette: Ja, and, (Darren: But I can get that to roll ...) but other people also have that. Do you have any machines (Darren: To the right or ...) and processing (Tyron: That differentiates it.) here that is different to other people?

Tyron: Not necessarily here ...

Bernadette: It's, it's fairly standard machinery.

Tyron: It's standard and actually, in modern day terms you can say in a way we do (Darren: We very old school.) because, and it's, (Bernadette: Ja, I'm n ...) and it's, and it's, and it's Wane Arnold's concept as well at Lawsons (Bernadette: Mmm.) which we had here long before, (Bernadette: Mmm.) I'm thinking at Lawsons is that we've got old technology, (Bernadette: Mmm.) if you buy a new press, you know, it's depreciating, it's doing this (Bernadette: Mmm, mmm.) so you need new tooling, now I've got old machines (Bernadette: Mmm.) and funny enough, depending on, you gear your products, (Bernadette: Mmm.) and that's Alberto's question, (Bernadette: Mmm.) is that you, we only take on products that our machines can do, (Alberto: Mmm.) (Bernadette: Mmm, mmm.) if, because the risk is too high to go and invest, (Bernadette: Mmm.) I mean, there's guys in the automotive industry invested in a big machine, (Bernadette: Mmm.) you pour raw aluminium in the one side and the engine blocked machined it comes out the other. With all the strikes, Volkswagen's pulled the business and said, for 4 months we not giving you business because of the risk. (Darren: And they closing.) And so that machine on their books is now (Darren: A 60 year old business.) not generating revenue. (Bernadette: Ja, ja.) And that's why we stick to what we know, (Darren: So I can, I can ...) the expertise is here, the guys on the floor know these machines, you'll see newspapers stacked under it (Bernadette: Mmm.) that's because that V block has just warped over the years that he knows exactly (Tyron: [Tyron says something that is not clear.]) how many sheets of paper to put under it (Bernadette: But now ...) so that he gets a 90 degree bend. That's how ...

Bernadette: But what is going to be your, um, with your skills, do you have a, do you think you going, would, once these guys start retiring, finding the right skills to replace them.

Darren: Well, Tyron's made his mission for the last 10 years already to, to literally spend time with older blokes.

Bernadette: Mmm.

Tyron: Mmm. Suck them dry.

Darren: You suck them dry because (Alberto: Mmm.) because all your top, top tool and [Word not clear.] are old. (Alberto: Mmm.) And it's quite funny, a process is never costed to within a second, so that punch I, I can, that punch punches every 12 seconds. And then you've got a Raskon punch that will punch every 8 seconds. Now who actually costs that process to within a second? (Bernadette: Mmm, mmm.) Very few people. (Alberto: Ja.)

Only a Fox Con on Fox Tech, (Bernadette: Mmm.) Justin, uh, Jared Durgard did (Bernadette: Mmm.) his thing, (Bernadette: Mmm.) now they, their forge press, that was actually down to 3 seconds change up times, everything, (Bernadette: Mmm.) but they doing one, literally, an A arm of a car forged (Bernadette: Mmm.) and that's one product and they doing R500000000 (Bernadette: Mmm.) a year on it. What happens if that product stops?

Bernadette: Ja.

Darren: Cheers.

Bernadette: There's no diversification.

Tyron: And to find, if you've got a highly specialised machinery (Bernadette: Mmm.) and the work does disappear (Bernadette: Mmm.) what do, (Bernadette: What are you going to ...) what, what can I do with that machine to keep it busy? (Bernadette: Mmm, mmm.) Now, you've got generic machinery and (Bernadette: Mmm.) I can make a box that shape, this shape, that shape, (Bernadette: Mmm, mmm.) um, (Darren: And it, also it's ...) and that's, that's just how we going to keep it because [A few words are not clear.] unintentionally [The rest is not clear.].

Darren: Ja, so I actually, there's so many guys out there now that have invested in new technology, (Bernadette: Mmm.) CMC punching, lasers, (Bernadette: Mmm.) but they've,

they've shot themselves in the foot because they've taken themselves out of the market because there's so many players. (Bernadette: Mmm, mmm.) And all the guys who do old school punching, (Bernadette: Very few.) very few, so, oh cool, you know, a CMC punch can do this and this but I can just phone a guy and get CMC punching stuff for me (Alberto: Mmm.) (Bernadette: Mmm, mmm.) and I'll just do all the forming ...

Bernadette: So you outsource, (Alberto: Mmm.) (Darren: The outcome ...) the outsourcing. ...

Tyron: The risk, to me, the risk sits, (Darren: Instead of having ...) the risk sits in the knowledge as well.

Alberto: Ja.

Darren: Ja, so you've got the knowledge, then your fixed cost (Bernadette: Mmm.) for me it's a variable cost. I don't have to make that product, he sits with the machine to pay. (Bernadette: Mmm.) I cost my product accordingly, I might take a bit of a knock on margin, let him make a bit of money, he sits with all the risk, not, not me. So we will show you a product down there where everything said it must be CMC punched, everything. The drawings, the specs, everything. I said, no, no, I've got such a good relationship with my laser cutter, I'm going to ask them if they can laser cut it, they laser cutting it for cheaper, and the guys have their own CMC punching , I'm having to outsource doing it and I'm competitive on the product, and it's R50000.

Bernadette: But how many people know that you can do it, use an alternative process to do the same job?

Darren: Please don't write that down.

Bernadette: Okay.

(Bernadette and Alberto laugh.)

Darren: Because that's something, (Bernadette: Ja.) it's, it's (Alberto: Mmm.) value, how, (Bernadette: Mmm.) you know, that box can be made 50 different ways, (Alberto: Mmm.) it's finding the way but now you got a CMC punching machine, (Bernadette: Mmm.) you have to use that CMC punching machine, whereas we've got bare minimum here. (Bernadette: Mmm.) We outsourcing ...

Tyron: But the big thing is as well is tooling, (Bernadette: Mmm.) this, this shop revolves around tooling and the standard products are now and our, and the capacity to get tooling out the door revolves around one guy. There's one guy, in this shop, and my dad partly and maybe myself, but actually he's technically the only guy who is capable of refurbishing any of the tools in this place.

Bernadette: And how old is he?

Tyron: He's 50 ...

Darren: 50.

Bernadette: Oh, so you will still have him for a while.

Tyron: And now I've already done research into the tool ...

Darren: And it's a lot of work for us and then he came.

Bernadette: Has he got a son? (Bernadette laughs.)

Tyron: No. (Darren: [Darren says something that is not clear.]) And that's why my, my, and that's why I've actually earmarked myself as, (Bernadette: As the future.) if the pooh hits the fan, (Bernadette: Mmm.) I jump on CAD, I've got a little bit of tool and dye making experience, I know another guy who can help, but I'll become that resourcer (Bernadette: Mmm.) up until such point, I've got in touch with the tool and dye making association of South Africa already, I've put in a star and hold in touch with two, two guys who he's actually

got, they've restructured that whole programme because in South Africa, and this will be for across the board, tool and die making is a dying trade (Bernadette: Mmm.) more so then fitters and turners. A fitter and turner, you can convert a boiler maker to be a fitter and turner, I can learn how to use a lay. (Bernadette: Mmm.) But tool making, (Darren: It's a thought process.) there's, there's a lot of gut feel (Bernadette: Mmm.) knowledge in that and, (Darren: And seeing things in reverse.) (Bernadette: Mmm.) and, and that's were that knowledge is critical and when I was with Lawsons that's what I realised the big way and that's here. (Bernadette: Mmm.) So now that man, when he, when I see him boiler making I get cross instantly because, not because he's being paid, overpaid, (Darren: He needs to be thinking. (Bernadette: Mmm.) but because that man should be worrying about maintaining my tools, maintaining, making new tools, worrying about machines, checking a seal, I've got a preventative maintenance schedule, he must run through that because, what we don't realise, when a tool stops it stops the whole production. (Bernadette: Mmm.) I can't come and bend it if it's not notched. So when the notching tool ...

Darren: So a tool can also make it move faster. If you have fancy tools, (Bernadette: Mmm, mmm.) it speeds up your production.

Bernadette: Ja.

Tyron: Ja, but when the, when the notching tool, when, when it, when it chips, and now it doesn't cut because it's chipped, now who's going to surface grind it? Marius. (Darren: Ja.) So he's pulled of [Word not clear.] And that's the big, (Bernadette: Mmm.) on the standard product side is the big thing sits in our intellectual ability to design it and get fancy and then in actually getting it done it comes to Marius.

Darren: This is also one of my next purchases, I'm going to have to buy another one.

(Darren and Tyron then explain how the CMC machine works.)

Tyron: That's probably the most specialised machine we have in terms of CMC [The rest is not clear.].

Darren: So we need another one.

Bernadette: So that's a bit of a bottle neck at the moment.

Tyron: Well, here's the other ones but ...

Bernadette: Oh!

Darren: No, you can actually do two stage, uh, you get two stage back stops, (Bernadette: Mmhmm.) so for what we do it's fine. (Bernadette: Mmm.) Um ...

Bernadette: Why would you need another one then?

Darren: Because I can split my resources and one guy can do multiple stage, one can do it, we don't have to have four guys doing it.

Tyron: And setup times as well takes longer on our old machines.

Bernadette: Okay, so it's from an efficiency perspective.

Tyron: From an efficiency perspective.

Darren: Efficiency per unit (Tyron: Ja.) especially.

Bernadette: Ja, and that affects costing.

(There is then a brief discussion about how hot it is in the factory.)

Darren: Ja, so the stuff comes here. All spot welded the same (Bernadette: This is welding, ja.) is done. There are our first aid boxes (Bernadette: Okay.) left them, but working process stuff (Bernadette: Mmm.) just in case they get older. And then, uh, ja, and then ...

Bernadette: So does finished stock just stay on the floor (Darren: Here, and then ...) and then through to dispatch.

Tyron: And then it goes back to the powder coating plant.

Bernadette: The powder coating.

Darren: And then, so this, this is the problem ...

Tyron: In terms of the flow.

Bernadette: Flow, ja.

Darren: From a flow perspective, it goes nicely like that and then [The rest is not clear.].

Bernadette: Ja, and then it kind of has this loop.

Tyron: All these old things that we hope we going to be turfing.

Bernadette: Ja.

Darren: We actually keep on saying we need a bigger factory, we don't. We just need to reorganise it and [The rest is not clear.].

Tyron: Ja.

Bernadette: Ja.

Tyron: No, if this factory's run in terms of square metrege utilisation, we could probably get another 50 percent out of this business (Bernadette: Ja.) turnover wise (Bernadette: Ja.) before you run out of space.

Darren: This is a powder coating plant.

Bernadette: Okay.

Darren: Essentially the raw material comes in there, it runs through the process ...

Bernadette: Ja, this hasn't been here as long as the rest of the business.

Darren: No, this is 2007.

Tyron: Ja.

Bernadette: Ja, it was just ...

Darren: Ja, well, the business was doing exceptionally well, (Bernadette: Mmm.) um, 2003 to 2009, 2010. Uh, so my dad thought, actually decided he wanted to invest a bit. (Bernadette: Mmm.) Um, he's never ever wanted to grow, he's had opportunity to grow immensely but he's actually given other guys the opportunity to grow that do five times more tons then us a month.

Tyron: Now.

Bernadette: Why didn't he want to grow.

Darren: Family.

Bernadette: Family.

Darren: Ja.

Bernadette: But you guys are, could you ...

Darren: He would of had to, but he would have had to work five times as hard, (Bernadette: Ja.) or at least twice as hard, (Bernadette: Mmm.) now there's two, two of us.

Bernadette: Are you guys got a strategy of growth?

Tyron: Oh yes, ja!

Darren: Yes, we have to be because there's two families now. (Bernadette: Mmm.) Ja, we can't just keep this going.

Tyron: Well, it's two families but it's actually not, it's a family thing now but ...

Darren: [Word not clear.] but it's our unborn children's, (Bernadette: Mmm.) it's everything.

Tyron: Ja, but that, that's only, that's, that's short-term. Uh, long-term is that you'll have multiple **Steel Company**. (Bernadette: Mmm.) (Darren: Ja.) So from a learning perspective Darren and I have the opportunity to learn an immense amount (Bernadette: Mmm.) (Alberto: Mmm.) (Darren: Ja, because ...) at a really young age that, (Alberto: Ja.) um, if this place

does grow to a point where you can take money and reinvest in another business (Bernadette: Mmm.) or completely new business (Bernadette: Mmm, mmm.) and that's, that's where we aiming, (Darren: Ja, I [The rest is not clear.].) Short-term is that we in survival mode, we currently like, you know, a cash deal here, there, whatever, you, (Bernadette: Mmm.) my dad's helping us out still a lot back at home but we ...

Darren: Ja, sold everything, sold, (Tyron: Ja.) literally moved back home, quit jobs, (Tyron: Ja.) everything. Put your, put everything in and then you see (Tyron: Ja.) results, (Bernadette: Mmm.) you know, you can't do half, half heartedly.

Alberto: Mmm.

Tyron: But from a, an investment point of view, any other person who's wanting to start up a new venture has to invest money. (Bernadette: Mmm.) It's there, we just not spending money (Tyron: Ja.) but we not earning money and now it's like, (Darren: So from ...) we've got a gap and we got to break it ...

(There is then a discussion about Darren and Tyron's mom and what the two were going to do if they hadn't taken over the business.)

Darren: But there's things that are bigger than that, hey.

Alberto: The amount of experience that you guys are getting here (Tyron: Oh ja!) you can always take to any private equity job or ...

Darren: Well, ja, friends of mine work for Brates,I, I'm lucky enough to be quite well connected throughout the community, (Bernadette: Mmm.) and the okes all said to me, Darren, just do it. It's like, who cares what a CV doesn't have an order of I did this, I did this, and then I did three years of articles here and then I did corporate finance, and corporate finance in private equity. Great! Do you still know how a process works? No. Do you know what it's like to, to have a bank balance that says negative R558000 (Bernadette: Mmm, mmm.) [The rest is not clear.].

Tyron: At 27 and 25 years old.

(Tyron and Alberto laugh.)

Bernadette: Ja, I mean, it's just ...

Darren: That's, that's what I, that's essentially what I walked into, you know, and then, but ...

Bernadette: This is invaluable.

Darren: But does a 27 year old know now that through strategy, thinking, applying simple techniques and just driving with everything you've got, (Bernadette: Mmm.) now that 558 sit, negative 558 now sits at plus 300, well, it will be better at the end of this month, but like, so that sense of satisfaction is something that no job, uh, ...

Bernadette: And the confidence you gain from it.

Alberto: Mmm.

Darren: Ja, ja. It, it, it is a confidence ...

Tyron: Well, you win it but the minute you see, (Darren: Ja.) then you take it personally.

Darren: The second ...

Bernadette: Mmm, (Tyron: Ja.) mmm. It is personal.

Tyron: It is, then it's all your control (Bernadette: Mmm.) and you look in the mirror and it's you look at when things go bad (Darren: Mmm.) then you've only got yourself (Bernadette: Mmm.) to blame. So that's why the biggest motivation to get up in the morning is that you've

got 43 guys at home, and we look at it from a personal level, because that's, (Bernadette: Mmm.) we [A few words are not clear.] more people then, then robots (Bernadette: Mmm.) so when you consider their families and this and that also, (Bernadette: Ja, that's a motivation, ja.) you got to get up and go. (Darren: Ja.) Uh, more, and then the financial thing, (Darren: And that's why ...) when you out of survival mode the financial (Bernadette: Mmm.) gain (Bernadette: Mmm.) that sense of mind counts (Bernadette: Ja.) but, at the moment, it's that, yesterday morning, uh, took it out of Darren and I in that (Bernadette: Mmm.) you dealing with a guy, or a man who's blubbing in front of you. He's got a family at home and we've just told him (Bernadette: Mmm.) sorry, there's no work for you.

Darren: Ja, and then when he leaves, you've got another oke more to go.

Tyron: Ja, so that took it out of us but (Bernadette: It's soul destroying.) immediately what you think of is ...

Darren: It is but you think, I've now got the opportunity (Bernadette: Mmm.) and the brains, hopefully, to, to turn it around and say, Donavan, you know, ...

Tyron: To turn it around and re-employ next year.

Bernadette: Ja, phone him up.

Darren: Ja, and, and we in that position. It's, it's, it's out of fortune that you (Bernadette: Mmm.) in that position. It's not, you know, we didn't work hard to get this, (Bernadette: Mmm.) my dad worked hard to get this, (Bernadette: Mmm.) we now got to work hard to maintain it and to grow (Bernadette: Mmm, mmm.) and it's not through any sense of, of, uh, getting anything for nothing, (Bernadette: Mmm.) you know, we don't believe in that. And any guy who has enough, well, I call it skin in the gain, (Bernadette: Mmm.) (Alberto: Mmm.) you become humble very, very quickly, you know, when you've got that sense of liability, and that's where the risk mitigation versus the needs becomes so, so important (Bernadette: Mmm.) because a guy who's in a SME and a guy who's got a job has a fundamentally different outlook on life.

Bernadette: Well your whole, your life is invested in this company.

Darren: Ja, from a money ...

Bernadette: It's a personal, (Darren: Ja.) it's personal.

Tyron: Well, there's blood in this company from years gone by (Bernadette: Ja.) and that, you know, changed schools, done this and that because the company took a knock (Bernadette: Ja.) and you couldn't afford to do this or that and, so ...

Bernadette: It is part of the family, (Tyron: That leads, that in ...) it is the family.

Tyron: So, all of a sudden, when you (Bernadette: Mmm.) looking at getting rid of guys and restructuring, the effect that it's had on your personal life, (Darren: Mmm.) you just think, you know what, and it sounds very cynical, but you just think, screw them, what my dad has sacrificed (Bernadette: Mmm.) for the greater good and keeping the guys here, (Bernadette: Mmm.) (Darren: Ja.) um, the guys, there's one or two guys that work here are, in a way, better off than my dad because they getting their salary, they have too (Bernadette: Mmm) get it (Bernadette: And they've stayed. Mmm.) and my dad's putting money in so he can get his salary and then, (Bernadette: Mmm, mmm.) and that's where Darren and I are now strict, not, it's not, uh, it's not, uh, going to generate bucks.

Darren: Ja, so it's a strict business. So, so again, from a risk point of view, um, something, I think, every SME guy should do is, is from a technicality point of view, what we doing is, um, we actually got the meeting next week, instead of running an overdraft, I still run an overdraft, is good cash management. So any profits and that are banked (Bernadette: Mmm.) and I'll keep an overdraft facility and rotate the facility. The facility will not belong to the bank. The facility will belong to a separate company that's wholly owned by my father and they, (Tyron: And then us eventually as well.) and they will be first class creditors. If we, so if Tyron and I bugger it up, my dad still gets his pension and the machines. If, well, it, it, ja, he gets something. (Alberto: Ja.) Now, if we buggered it up, and we were negative, like we were, it's to a bank, and they essentially seize all the assets and then we still have retrenchments and, and stuff that we then have to pay off still. (Bernadette: Mmm.) So from a mitigation point of view, from a pure financial point of view and also to take the pressure off the entrepreneur as such, you mitigate yourself that if it all goes bust, ja, you lose a lot of money, but your assets, you don't lose your assets. So if you do have the capital or an investor or whatever, you can turn the switch and start over again (Bernadette: Mmm.) and re-employ everybody and, and, and then [A few words are not clear.], um, but essentially, financial

institutions they don't care, they want their, the highest percentage in the Rand, (Alberto: Mmm.) and that's until such (Bernadette: Mmm.) time that they got (Bernadette: Mmm.) (Alberto: Mmm.) their money back. They don't care about anybody here, they don't care, whereas I do. (Bernadette: Mmm.) So, essentially, I can then, on that agreement, I know what the assets are worth, I know the value of every last thing here is documented, (Alberto: Mmm.) put in an overdraft amount to, say 50 percent of the value, that's what we have to use, the other 50 percent of the value would then go to the employers which then gives them 50 cents in the rand which is far more than any, any liquidation will ever, (Alberto: Mmm.) ever. So we managing (Bernadette: Mmm.) their lives, our lives, and the only one losing out is the bank, which is not a problem in my eyes.

Alberto: Ja, ja.

Bernadette: Mmm.

Darren: Um, so, so that's a big thing, that I think, from a, from a, from ...

(Tyron and Bernadette speak about how hot it is and getting some water.)

Bernadette: This is, this is where the product then gets (Darren: Ja.) dispatched.

Darren: This is the more technical stuff we looking at now.

Bernadette: Which is?

Darren: This is a headlamp charging station for the mines. (Bernadette: Okay.) Wear headlamps?

Alberto: Cool!

Bernadette: Ja, ja?

Darren: So you plug, plug, so it's all setup ...

(Tyron offers everyone water.)

Darren: And, and ja. So, so this holds your (Bernadette: Mmm.) lamp charging station. (Bernadette: Mmhmm.) These lamps clip on here. You can see, this is intricate now.

Bernadette: Who designed this?

Darren: Uh, a guy in Boxburg, believe it or not. (Bernadette: Okay.) He's worth many, many millions. But, uh, he's young. He's about 42 and he just gets it and he gets small business, he gets everything. And these are huge guys (Bernadette: Mmm.) that make this for him.

Alberto: But what, sorry, what does this thing do?

Darren: It charges your headlamps for the mines, (Bernadette: For the miners.) (Alberto: Oh, okay!) so you get a lamp room (Alberto: Okay! Yes.) (Bernadette: Ja.) so you go from outside into the lamp room (Alberto: Ja.) and then you go under. Now I've used this plenty when I worked on the mines and, uh, and, ja, this is all stainless steel area. It's R50000 a shot. (Bernadette: Shooh!) So there's a lot you invest in it (Bernadette: Mmm.) but through our partnerships through steel, our partnerships through, this is what's supposed to be CMC punched.

Bernadette: Mmhmm. Through your (Darren: Ja.) specialised punchers.

Darren: Ja.

(Bernadette laughs.)

Darren: Um, ja, we coming in and we competitive, we've mitigated the risk, don't have any fancy machines, it just, it's a variable cost, I push them for lead time and delivery, I push my guys to bend it up and then we deliver. (Bernadette: Mmm!) Simple. But everyone wants to do everything in house instead of just passing a bit of pie around, everyone wants the whole pie for themselves. (Bernadette: Mmm, mmm.) This is actually one of the other cases where I'm waiting for him to land his first order but, essentially, we looking at 33 percent increase in the entire revenue of the business.

Bernadette: It's excellent!

Darren: 150 a year. (Bernadette: Mmm.) 50000 in your pocket.

Bernadette: Shoh!

Darren: So that will be nice.

Bernadette: You guys have achieved so much (Alberto: Mmm.) in a short period of time.

Darren: Ja, it's, but it's because the infrastructure is here (Bernadette: Mmm.) and there's, and, essentially what it is, I think, the reasons are right. (Bernadette: Mmm, mmm.) If the reasons are right, so you come to work with a totally, totally different enthusiasm.

(There is then a discussion about motivation to keep on going no matter how difficult and how long it took Darren and Tyron to do their Masters.)

Darren: So that's something we actively said, (Bernadette: Mmm.) we said, there's now two of you. (Bernadette: Ja.)

And, and that's another thing where, I think, it's also undocumented in SMEs is go look at a successful SME owner, (Bernadette: Mmhmm.) he's either incredibly tenacious or he has a mentor.

Bernadette: (Bernadette laughs.) Oh, yes.

Darren: He has someone he can listen to (Bernadette: Mmm.) on a bad day. (Bernadette: Ja.) He can say, I'm going through kak.

Bernadette: Ja. And somebody will say, ja ...

Darren: And then they will say, listen, I went through that (Bernadette: Ja.) but this is how I went about it. (Bernadette: Ja.) You think you've seen the bottom of the barrel, this is still, (Bernadette: Not, ja.) you still in the middle (Bernadette: Mmm, mmm.) and, and, and, all of a sudden, you get a perspective change and it's, and the enthusiasm and the energy comes back (Bernadette: Mmhmm.) shew, and off you go.

Bernadette: But the businesses I've been interviewing, everybody has been through shit times, (Darren: Everyone.) everybody but they've somehow picked themselves up because they've got a resilient attitude to life, (Darren: Ja.) they, they actually are optimistic but not in a silly way, in a pragmatic way.

(Bernadette then gives an example. There is also a discussion about an event that Darren and Tyron went to.)

Darren: But it's quite interesting looking at that now and how it's developed.

Bernadette: Ja, I want to see how it's changed, (Darren: Ja.) that's what I actually want to look at is what has changed on this.

Darren: Ja, where we actually starting to get a lot of our, our, our efficiency (Bernadette: Okay.) and the relationships are becoming important, (Bernadette: Mmm.) okay, this, this here has always, so your direct first tier upstream has always been, uh, very important.

Bernadette: Is this, this is a strong ...

Darren: Very, very ...

Bernadette: What, across here (Darren: Ja.) into your supplies is a strong ...

Darren: Ja, all, all the main suppliers (Bernadette: Ja.) are very strong. But now, what we starting to find is to, to offset risk firstly, and it comes down to the CMC functioning [A few words are not clear.] in next week (Bernadette: Mmm.) is this relationship, your outsourcing.

Bernadette: With your outsourcing people.

Darren: So it's your value add, (Bernadette: Mmm.) your, so, all of a sudden, the outsource guys (Tyron: External risk.) to her, it's the outsource guys to her.

Bernadette: So this is, um, your secret guy?

Darren: Ja.

Tyron: Ja.

Darren: That's essentially now what's happened. So this I've worked on, this is cool. Now I'm looking at this (Bernadette: Mmm.) because I can differentiate my product face (Bernadette: Mmm.) because this only has X capacity. (Bernadette: Ja.) So this can come in, the raw material can come in, I can still only have X capacity. (Bernadette: Mmm, mmm.) The only guys who are going to differentiate my product (Bernadette: Are these.) are some of those.

Bernadette: And has anything changed here? You still got the same outsourcing partners.

Darren: Ja. (Bernadette: Ja.) Ja, so it's just, just on the, the cutting side (Bernadette: Ja, so that's ...) that, that we using them a bit more, a bit more, more, more, more (Bernadette: Mmm.) and more, now I'm starting to even take ...

Bernadette: But the thing is what you, you knew them before you decided to do this particular ...

Darren: Ja, it was just a guy that we used to tap every now and then (Bernadette: Because I remember you ...) but there's been absolutely no relationship (Bernadette: Mmm.) what so ever, (Bernadette: Ja.) it was just, you know, it was if they just gave an inquiry, (Bernadette: Mmm.) and then I, I called their sales lady in and we having a chat around that, about the dispenser and they came now and I quickly did the costing and I was like, hectic! And I, I said to her, is that, is that just your price for me now, that's before we had the relationship, she said, ja. And I said, you okes are great. So then, and I did a couple of orders and they delivered each time and then I said, okay, this is my plan, and I, I opened up play cards. (Bernadette: Ja, okay.) This is now, and then I got that lamp stand here and I said, can you guys cut it for me? And they said, ja. And I said okay, get your guys in, there's the drawings, there's everything, price it. They price it, that's wrong, this is wrong. All of a sudden they saw we were picking them to pieces, (Bernadette: Mmm.) there were certain things they didn't understand and didn't know. And then they actually came, we all sat, it was my father, myself, a guy Craig and a Nattily, sat around and we banged it out for 3 hours and at the end he knew exactly what he went there, and he went and he told me that he went to his supplier of Nitrogen and did the same thing.

Bernadette: So he has a supplier in there, ja.

Darren: Ja. And he did the same thing (Tyron: Mmm.) and he said, guys, this is, this is good for us, it's going to be good for you if we get it because we will need lots of Nitrogen. What's the best if we start already [A few words are not clear.]? And he said to me, you know, he's, he's supplier is [Name not very clear.] and they said, this is it. In the ball park, phone my supplier, that's our quote while we in the [The rest is not clear.] ...

Bernadette: So he learnt from you in terms of how to manage this guy.

Darren: Ja, I said to him, go to your guys, I'm not expecting you to take the full brunt of it, (Bernadette: Mmm.) everyone must take (Bernadette: Mmm.) the brunt. And then everyone just cuts a bit and thinks smarter and thinks in a different way, we, we will get there and we'll klap the big oke, and we are, we, we now (Tyron: Mmm.) going to nail them.

Tyron: That's where ...

Bernadette: Um, which, on this is there the, because I'm just looking at where it splits on the construction side.

Tyron: Okay, you've got basically with, that's, let's call this standard products, standard product [The rest is not clear.] ...

Bernadette: So it's sheet metal business, basically.

Tyron: Ja, sheet metal.

Bernadette: So it's more your volume products.

Tyron: Ja, that we driving standard product (Bernadette: Ja.) enough to, to take the ratio of turnover to, to make it equal (Bernadette: Mmm.) between those tent, or, sundry, this is like job shopping.

Bernadette: So it's more small, it's just ...

Tyron: This is job shopping within the sheet metal (Bernadette: Mmhmm.) Job shop.) as well (Bernadette: Mmhmm?) but it's also falls within the construction. (Bernadette: Mmm.) So, in my mind, if you, if you had to relook at the sundry steel, the thing is we have a jobbing aspect, if I had to redraw this for Darren's [Word not clear.] (Bernadette: Mmm.) is that we've got standard products, you've got then job shop, jobbing or job shop, (Slight pause.) (Bernadette: And then ...) and then you got construction. (Slight pause.) These two are project based environments, in a way, (Bernadette: Mmhmm?) they have a finite start-end, you can set them up in a production type environment. (Slight pause.) Um, that you've got job shop, construction, this is project based where this is production based from a manufacturing environment.

Bernadette: So this is, so this is con, is this contracts and this is ...

Tyron: Ja, this we have a product code, we got, you know, it's on Pastel, (Bernadette: Mmm.) I mean, if there's an order for 10 of these, we say 10 times that, (Bernadette: Mmm.) that's the order size. (Bernadette: Ja.) Where job shopping is a walk-in customer, (Bernadette: Mmhmm?) they request a one off cupboard. My dad's got to sit for half a morning, do a drawing, the cupboard, it's an expensive cupboard that's why we will take it on, so we do the cupboard (Bernadette: Mmm.) but that's a project, it's a bit of a project, you know, (Bernadette: Mmm, mmm.) the design phase, (Bernadette: Mmm.) then setup at construction is basically jobbing, it's essentially jobbing because every item is different (Alberto: Mmm.) but you might get a similar item down the line, so, um, if you've got purlims that support your sheet metal roofs, I got purlims on here, I get purlims there, they just different lengths but the setup's the same but still, it comes and then it goes. So there's the time, process to how construction goes, the order goes through, (Slight pause.) and, uh, where standard products is an order comes in and it goes to one person who then manages production, like he, you know, guys know what to do on the floor, this I have to, to define those phases.

Bernadette: The process for, for, for each construction project.

Alberto: Mmm.

Tyron: And that's, that's why this is, to simply define it is a project based environment and that's a production based environment. (Bernadette: Mmm, mmm.) (Alberto: Okay.) That's a pleasure, this is a pain in the arse.

(Alberto laughs.)

Bernadette: Because this is a lot more craft and ...

Tyron: And that requires one production manager, one shop floor supervisor and a touching base from myself to turn the same turnover that the whole company can do when we running there. This requires my dad, project, sorry, when I say this it's project based, production based requires one supervisor, um, one shop floor, sorry, one manager, one shop floor supervisor, maybe a QC guy and, and I come in on the odd day, I can draw reports, how many did he do, how many did he do? (Bernadette: Mmm.) You know, that's a pleasure ...

Alberto: Mmm.

(There is then a discussion about the company losing a client.)

Tyron: But, um, so that's, (Bernadette: He's redrawing your [Word not clear.].) ja, so that's, so that's, that's your production based environment where project now requires my dad, myself, um, (Darren: Is that mine?) ja, it requires permanent like, you know, skilled guys, an estimator, just the resources you need in terms of skill levels is far higher in a project based environment (Bernadette: Mmm.) then in a production. (Bernadette: Mmm.) Production based, all the hard work is done in the beginning, once it's in production, you get an order, (Bernadette: Mmm.) you look at a thing of drawings, (Bernadette: Ja.) so that's ...

Bernadette: You were talking as we, when we were sort of on our way in and we had our little conference (Tyron: Ja.) at the entrance, um, you talking about ratios of 40 60, 60 40, what is that in terms ...

Darren: Ja.

Tyron: Mmm, in terms of turnover.

Bernadette: T, oh, is that the turnover.

Tyron: That's, that, this, (Darren: At the moment 75 25.) sundry steel and that is? What's the recent ...

Darren: We've got sundry and, and, uh, and fire ...

Tyron: But they, but sundry a lot of that has been inside construction at the moment. Sundry steel, doors and ...

Darren: They not sundry steel, they sundry ...

Tyron: Items, jobbing, (Darren: Jobbing.) so that's why I separated it as jobbing.

Darren: Proper jobbing, it's not part of a site, it's not part of anything. (Tyron: Ja, but that's jobbing sites ...) It's guys with random requests [A few words are not clear.] so standard jobs ...

Tyron: So that's why I've redrawn it, (Darren: Ja.) there's standard product, jobbing and construction, (Darren: Oh, ja.) okay?

And so, let's look at it in terms of the new figure, standard, jobbing and construction (Slight pause.) makes up, what's it at the moment? About ...

Darren: No, do it the other way round. (Tyron: Okay.) So jobbing and production and standard product. And then construction is a different entity [The rest is not clear.].

Tyron: Okay, so let's do that. Ja, because I see jobbing, you see, so there already, you've got the two lead guys don't actually agree (Darren: No.) on what's what. Um, okay, so, but it's actually because it's what, Darren has knowledge into how Bianca splits it in her books.

Darren: I split it on the, the income statements so I can actually see ...

(There is then a discussion about a few different people.)

Tyron: What, what's the split between standard product and job shop? (Slight pause.) Standard product and job shop is about 70, hey?

Darren: What, together and construction?

Tyron: Ag no sorry, construction is your 70.

Darren: It's 75 (Tyron: 75 and this is ...) and the others, both together is 25. (Tyron: Ja, that's together.)

Job shop's very up and down because it's a, it's exactly that, a guy comes with a inquiry, can you guys do this? Ja, we can. We make it. Sometimes it's booming, sometimes it's not.

Bernadette: That's turnover.

Darren: Ja, [The rest is not clear.].

Tyron: But now this is where, and this is the scary bit if, in terms of risk, this is your high risk here.

Bernadette: And why, just in a few words, why's that high risk?

Tyron: That's to do with everything we discussed previously around the external influences in your customer, (Darren: Lack of control.) (Bernadette: Mmm.) so the customers here, (Bernadette: Because there's a lot of customer variability.) these guys, (Bernadette: Mmm.) with the external influences here, they cause the risk because their clients are squeezing them and they in turn squeeze everyone down (Alberto: Mmm.) the supply chain. But it's this variability in this section here that we have to adapt to here, we have to adapt to this environment here. (Bernadette: Mmm. And it's very cyclical, ja.) Where this environment's a lot more fixed, it's a lot more stable, um, the, the, the customers on the, on the production based environment (Bernadette: Mmm.) are a lot more stable and predictable where, on the construction side, where it makes up 75 percent of turnover, it's accounting for 80 percent of our, of our operating risk.

Bernadette: Mmm, mmm. And your relationship is much better with these people, (Tyron: With those guys, ja.) it's a lot more stable and this is more variable (Tyron: Ja.) because, ja.

Darren: Ja.

Tyron: It's a lot more stable in the production based, (Bernadette: Mmm.) the relationships are better in the production environment, (Bernadette: Mmm.) Um, but in the, (Darren: And it's smart.) in the, in the construction side, (Darren: Great.) um, the relationships, as we discussed with my dad, are excellent, that's what's got us repeat work (Bernadette: Mmm.) but with that generation going out now, (Bernadette: Ja.) that's where we having to do ground work all over again (Bernadette: Establishing that middle tier ...) where we've got to re-establish (Bernadette: Ja.) [The rest is not clear.].

Alberto: Why are the relationships much better in the production side? Just because it's repeat, does it ...

Darren: Ja, your ability to deliver is a lot more controlled so you can actually, (Alberto: Okay.) so now, what actually happens ...

Tyron: The relationship's through a phone and on paper. Construction is (Darren: But ...) personal (Darren: Ja.) in your face, I meet the guy ...

Darren: But now that's where I'm working on it. I'm driving, in my car, to all these standard product guys and introducing myself. They've been buying products for 12 years and they never ever met a manager.

Bernadette: Well, your dad, I suppose, has been doing everything, I mean, he just didn't have time to do ...

Darren: And my mom.

Bernadette: Ja, and your mom.

Darren: And there hasn't been a focus, a customer centric focus in the business (Bernadette: Mmm.) right now and I'm, I'm a huge thing that that's, that's where I'm going to get them to, to, because, at the end of the day, the, the ...

(Slight pause.)

Darren: Because, because essentially what, if you want to look at macro risks imports equal to (Bernadette: Mmm.) the single biggest risk to any manufacturing entity in South Africa right now. Ja, so ...

Bernadette: Ja well, you mentioned that, ja. China.

Darren: China. And China can produce anything that we make, cheaper than we can ever dream of. This now, that phone call right now, (Tyron: And India, India's the next also big ...) that phone call I had right now, I'm telling you right now, Apple Plastics is not a sheet metal manufacturer and they doing the entire thing, my cost came in at R148000 but the total package would have been R208000, they doing it fully delivered everything for R120000.

Bernadette: The quality's probably going to be shady.

Darren: The quality will be perfect.

Bernadette: Will it?

Darren: Ja, but Apple's going to have to buy 3 months worth of stock, getting in on time, leverage their cash flow, get it in and if there's a huge surge in Schneider orders, oh, I've run out of stock, you going to have to wait 3 months.

Tyron: Then they knock on our door and then that's when, (Darren: And that's when I, I ...) to a degree, it pisses off to be simple (Bernadette: Of course!) (Darren: No!) because you want to be partnering from the start.

Darren: And so I'm going to, before it happens, I'm already starting to become a relationship to say, guys, I know you can get it cheaper. So, classic example, we are the major supplier to Safe Quip, a leading fire company in South Africa of fire extinguishers, the whole story. I

had a meeting with a guy on, on our new bracket that we made and whatever, and we got chatting and, and he said to me, Darren, and he looked at me quite arrogantly,

and he just said, you know what, the only reason I buy from your father? Why? 1. You can't fault me on my quality, but 2. the only reason you buy from me is the volume and capacity of my cabinets is too big and it's too expensive for you to transport. The second transport costs come down and the volume metrics are there and the exchange rate is in your favour, you will buy from [Word not clear.]. He said to me, exactly. I said, but, you can't talk to the guy, you can't ask me for 3 percent discount, which I'm about to give you, by the way, and, and literally, boom, he bought an extra 100000 worth of stuff. (Bernadette laughs.) He can't do that and he can't have that relationship, he can't actually phone him and say, Darren, that's a bugger up. So what happened, they had two cabinets that, that fell off the top of a shelf and they didn't dent, they scratched and they buggered. I literally had the lady phone me, Darren, we've had a problem, can you help? Ja, just bring it in, I'll just repowder coat it for you guys, I'll charge you for the cost of my powder coating, I won't even make money out of you. I said sure, week in, week out for me. I'm not going to now on the one little bliff take, take money from you, it's ridiculous. (Alberto: Mmm.) Now, please, please go and import because you not going to have that. You not and, and if, if you happy ...

Tyron: A whole consignment will arrive, bad quality, (Darren: Ja.) customer needs it, sorry guys, substandard [The rest is not clear.].

Darren: The guy, the guy we dealing with on this, the, the fancy lamps stands, he just gets it, you know, if the electronic components are stuffed, he imports, but in terms of assembly of boards and everything, he has his own plant that does that, and then in terms of all his like light fittings and whatever, he could source that from overseas, he could but he refuses.

Bernadette: It's because of that, the proximity from a service perspective (Darren: Ja.) and being able to just phone somebody up and the next day it's there.

Tyron: Ja, there's that and also, I think, what drives it and then me is we've got universities here, you've got all these education houses that need to, they spitting out students and where they going to go? (Alberto: Ja, that ...) You qualifying 170 engineers and people who their livelihoods, well, what they study is to create wealth and when you keep outsourcing it (Darren: Mmm.) (Bernadette: Mmm.) you doing nothing but pushing them into this, into a service based environment (Bernadette: Mmm.) where they can't create wealth where you become a consumer of wealth in a service base, (Bernadette: Mmm.) (Darren: You make

money but you not [The rest is not clear.].) it does create, if the supply chain's complex it will create wealth but from a simple perspective, taking raw material, putting it into a product. (Bernadette: Mmm.) I, I hate it with a passion when guys import. I, well, you get angry when guys split cents and they import and they, there's no proudly South African aspect to it. And that's where, I think, the Germans did an amazing thing that they, if we had a little shelf of our products, a certain percentage of those products in our supply chain has to come from South Africa and they impose that on everyone. They keep, (Alberto: Mmm.) they force that we, I support [Word not clear.].

Darren: Ja, even our, even our powder, you know, our powder coating plant, we use just over a ton of powder a month, you know, we, we go through, (Bernadette: Mmm.) and, uh, I changed it to, they actually, it's a huge manufacturing company in South Africa, they in mining and all sorts of stuff, (Bernadette: Mmm.) and they bought this whole powder coating part of the business and, um, I keep on saying no to them. No, no, no, they are half the price per kilogram then our South African supplier, half, 50 percent cheaper. But there's a reason for it, and I, you know, everything costs something and you've got to find it, (Bernadette: Mmm.) you will eventually find it (Bernadette: Mmm, mmm.) it's either in quality or delivery, (Alberto: Mmm.) or something, (Bernadette: Ja.) you've just got to find it. (Bernadette: Mmm.) Anyway, they come here, they did a, a test. Fine. It looks nice, whatever. Um, but my dad just had a spider sense and he said, no, he's not happy. Waited a while, they dropped off 240 kilograms of the powder here for us just to use. They left it here for over a year. And then they said to us, can we come and do another test? Stop my whole plant, do another test but with proper square metres, they flew a guy in from Cape Town, I had this person here and they sprayed. And then I looked at the variation, so on your process variation there came a problem is that on my current South Africa thing, my tolerance level from a micron thickness to get coverage can run from 75 microns and more to literally 35 microns. There, I have to run at 70 microns or more, okay, ...

Tyron: So you don't see the steel through the cracks.

Darren: So you don't see the steel (Bernadette: Mmm.) and it gives the full coverage and protects it (Bernadette: Mmm.) and everything, (Bernadette: Mmm.) which is fine, but now, I, so, so this product here is 50 percent of the product that gives me this here, okay? So I can use double the amount and technically be, um, right, you know, the same cost base. Then I started thinking about it. I said, okay, if I drop just here, I can see steel. If I'm actually over 100 microns, so I'm, I'm, you actually get build up, you can actually see the build up of the powder, so my micron's face that I play in is 30 microns thick, it's actually 75, it's 25 microns. The process variations within 25. Here I'm playing from 70 to 30. 40. I can sleep at night. I can know that the guys can have a bad day and my product will be covered and it will bare with the quality. But now, if I say to the guys, listen guys, you got this to [Word not clear.]

but let me, let me, let's try hone it in and let me try and get you to run at 50 all day, every day. Then what, then, then what's the true cost? So I always used to base the costing of my powder on 70 (Bernadette: Mmm.) and see my [Word not clear.]. Now we running at 50, now costing? So I said to the guys, what's, what's the best coverage you can get this [Word not clear.]? No, we can get 5 squares per kilogram. Okay. (Slight pause.) I said to, all the guys you had before me, what's the costing on our Ferro product? 5, 5 and a half squares per kilogram. I said, have you ever weighed the powder at the start of the day, seen how many square, square metres you've done and then weighed it at the end of the day to get a true reflection of kilograms per square metre? They said, no, they've never done it. I said, please do it. It came out 6.48. And I said, okay, now 6.48 and Insimbi's running at 5 or less. So now I'm getting 50 percent more on a larger process variation on the South African product then an imported product because I said to the guys, sorry, you don't have a case. And they still didn't accept it. I then had the MD of the company here, who actually went to school with my dad, [A few words are not clear.], late Eddie, he came here and I actually had to explain to him because he himself didn't know why I chose him. And he said, you know, if everybody had to understand that, I wouldn't be in business. I said, exactly, carry on importing, you not doing anybody any favours, because the guys at Ferro understand that and this is, that's why they still in business today and that's why Ian Forbs, or whatever he's name is, is worth, [A few words are not clear.] million.

Tyron: Mmm. Anthea Burker [Not sure of spelling of surname.], (Bernadette: Mmhmm.) family friend of yours.

Bernadette: Mmm.

Darren: Ja, and that's why he's worth the millions he is because he understands this and the problem is South Africans are so short-sighted, they don't understand this right now. They opportunistic and they arrogant in terms of how they doing it. And they saying, how fast can I make a quick buck? Uh, you know, I can, I can get that for R100 and I can sell it for R200, I can make 100 percent margin. I might have to wait 3 months but I'll get my big shipment then and I'll make 100 percent.

Bernadette: And they don't see the big picture (Daren: They don't see ...) of how it all ties together.

Tyron: That's why I, I still think it's the Department of Trade and Industry problem not a small business problem.

Bernadette: But you haven't got the people even in the Department of Trade and Industry that understand this kind of thing.

Darren: Ja, it's like ...

Tyron: It's scary, because (Darren: Ja.) as soon as they understand that sort of thing and the impact it's having on the local industry, (Darren: And the reason ...) they'll take every distribution house that is importing and as soon as you regulate them and you start tightening the screws on them and import duties (Bernadette: Ja.) and everything else, [The rest is not clear.].

Darren: This is, you know, people also have to ask ...

Tyron: And that's why I sometimes think the sanctions , funny enough, (Alberto: Were good.) in terms of expertise.

Bernadette: Ja, but they are doing industry designation.

Darren: It generates so much mental wealth in this place it's just unbelievable. And, and it's a funny thing is that everyone's going to ask, Tyron and I are now potentially the new kids on the block. How many people are starting out in entrepreneurship with manufacturers?

(Slight pause.)

Bernadette: It's still service industry.

Darren: So you, so you got to ask yourself ...

Tyron: It's IP, it's computer, it's ...

Darren: But you've got to ask yourself, and it's because guys see manufacturing is going to explode, everyone's going to import everything, there's going to be no future for it in South Africa. Tyron and I have a different take on it. Our take is that firstly, from a relationship perspective, turnaround time and everything, you can, you can deliver. You can do essential products that, good luck, you know, unless you get Chinese labour here, you not going to be able to build a building. If you start getting Chinese labour , you want a xenophobic war, [A few words are not clear.], they not going to do it. You can try ...

Tyron: The Chinese are landing steel here at 7, they, steel that's formed, now remember that price of R28 a kilo? That's in store. Take it down to R23 a kilo from, just to save their guys. That's the industry norm to supply steel at. Companies are getting steel im, they send the drawings to China, the steel's fabricated, put on a ship, it's sent here, they landing it here for R17 a kilo. (Slight pause.) Now if government ...

Bernadette: But they getting the raw materials here in South Africa ...

Darren: 100 percent.

Bernadette: Build ...

Tyron: No, well, it's raw material there which for local companies there, now this is interesting (Bernadette: Mmm.) because of In, the, India, I don't know if it's stopped or whether they continuing with it, but everyone, of course, says it's the labour. Their labour's cheap, their labour ... It's not. (Darren: [Darren says something that is not clear.]) Their government, to help grow manufacturing companies is investing, subsidising their raw materials cost and they've put that straight onto their margin and I've worked it back through our margin through that, that the labour's essentially the same, more or less, but the raw material price is exactly how that difference (Bernadette: Mmm.) in price (Bernadette: Mmm.) has landed here.

Darren: And they not doing anything [The rest is not clear.].

Tyron: And they not doing a thing about, that's why I say it's DTI level. It's, (Bernadette: Mmm!) if the guys don't wake up there, ja.

Darren: And it's interesting because I was in their service ...

Tyron: You can only serve so much before ...

Darren: I was in a very service expertise driven, your qualifications are everything, that's how you sell yourself and your time and, and those okes now, I think, walk the border because my charge out rate is R875 an hour for major projects and then even if you did a, a project base, so you charge the project, 4 of us would charge like R9 million, you know, and you advising and you got no risk, nothing, you just telling him what to do, that was the type of thing we did. What was interesting though, is in our business we very transparent and stuff and we highlighted the single biggest risk to consulting in South Africa is not IP. It's labour.

Alberto: It's labour industry, ja.

Darren: It's labour.

Tyron: Theirs is labour.

Alberto: Oh. Because he's consulting with them, you see.

Darren: There's a guy named Earl Fogus, he's now group operations director at ABSA, he cost us R153000 an hour, that's a set rate. Okay? He's now new salary at ABSA is R5 and a half million ex bonus a year. Can't compete, well, best of luck, go kill it, so there Earl goes.

But while Earl is such a pedantic guy and so brilliant at what he does, he refused to work with any of us youngsters. He felt we weren't good enough. So I said, fine, 100 percent. We ended up sourcing a guy from India, Manesh, who has more qualifications then you've ever seen in your life before, he's the most cleverest, unbelievable, charismatic guy, and we did a full

turnaround of, uh, Cape Span Logistics, and literally, the whole design business architecture was out of those two guys' brains. And we paid Manesh R120 odd thousand a month.

Tyron: Well his company.

Darren: He's company. (Tyron: Mmm.) We got to know Manesh so well, we eventually said, Manesh, will you stay in South Africa? Ja, but he's got all his family that side. And I said is it that [A few words are not clear.], you know, like if we had to post you, what would it be? So he said, no, no, he can't stay in South Africa. So we said, okay, tell us if we in the ball park? R100000 a month? He said, no. R80000 a month? No. R50000 a month? No. R9000 a month is what he gets paid in India. He can come here, in South Africa, for R15000 a month with those qualifications. He's a, he's a mechanical engineer, MSC with a MBA from the best school in, in India and he's earning, I can give him R15000 a month and he can come work in South Africa and he will be happy and he will live a better life. So those service guys need to be really, really careful in terms of what is actually happening out there because the only reason you playing with people now, it's not a product (Alberto: Ja.) but people are fast becoming products. This ...

Bernadette: It's human capital.

Darren: It's human capital. (Bernadette: Mmm.) (Alberto: Mmm.) And labour hire, (Alberto: It just ...) as globalisation takes place, is going to become a brokered thing across the, the world. So you go fly there, work there, okay, sorry, I got you here, you work there. It's happening, I had it happen to me. (Tyron: Mmm.) I was away for 221 days, 82 flights later, all I was, was a very expensive labour hire. You a jack of all trades, master of none.

Bernadette: And generating profits for the airlines.

Darren: Ja, ja.

(Bernadette laughs.)

Darren: Much needed.

(Bernadette and Alberto laugh.)

Darren: And, and that's what the guys don't actually see. So they said to you what would happen when they see that start happening, they'll say, oh well, stop, if you not, you not really [Word not clear.].

Tyron: If DTI understands that they will shut ...

Alberto: DTI don't understand a lot of things because how can, (Darren: Ja.) how can the head of labour and industry or industry and trade be a Communist.

Darren: Ja.

Tyron: Ja.

Alberto: I've got a massive, massive problem with, (Tyron: Ja.) anyway.

Darren: No, no, exactly. But if you see what's happening with products now (Bernadette: Mmm.) is starting to happen with people. And I think, that when it really starts to happen with people because I know a mine, there was a mine in South Africa, they, there's a huge structural steel job up in Steelpoort (Bernadette: Ja.) at [Name of mine not very clear.], it was the savings that they had, I don't know the tonnage, but the savings they had they flew out Chinese labour, they then put containers, you know those containers with the homes in it? (Alberto: Mmm.) On their property behind the crushing plant and the okes lived there (Alberto: [Alberto says something that is not clear.]) and they did the entire, well no, they actually just worked like a normal day (Alberto: Okay, all right!) but they stayed there, (Alberto: Ja.) and they built the entire structure. They saved R18000000. But, those Chinese guys, behind the scenes, what the big management didn't know, is that the guys on the floor pulled them aside and said, if you walk into town, you dead, hey. (Bernadette: Mmm.) Don't even as far as (Bernadette: It's the xena ...) out and walk outside, we'll kill you. Now, if that explodes a little bit more and all of a sudden you see more and more of this labour coming in, it literally will be anarchy in this place.

I guarantee you, we've already had (Alberto: Ja.) xenophobic attacks on Zimbabweans, wait till the Chinese really start pushing their money. And when that happens it's actually, they then going to review all the products, they going to review all the people, they going to review everything, they going to create tariffs and, and, and sanctions against, and it might not happen now, it might not even happen in my lifetime, but I still am a believer that eventually the only way you do is you create your economic circular activity, you ring fence it and keep it within yourself/. You can export, 100 percent, (Alberto: No importing.) No importing. (Alberto: Ja.) You Italian, (Alberto: Mmm.) you understand that exactly. Italy stand, 95 percent of Italian economy is based on (Alberto: Mmm.) exports. (Alberto: Ja.) That's it.

Alberto: It's a massive economy for such a small ...

Darren: Even the small SME (Alberto: Ja.) has 75 percent of their product is, is exporting. Import something? (Darren laughs.) An Italian is incredibly faithful to Italian products. (Alberto: Mmm.) (Bernadette: Mmm.) (Tyron: It's a true story.) You know, it's, it's, I was lucky enough to travel and see it and that's when the economic crisis happened, our chief economist pulled up and he said, no, no, it's fine. Let the other guys sink. Their debt was so localised within the banks of Italy, wasn't even with external banks, and that's why you've heard Italy was part of the whole PIGS thing. They weren't. Italy was localised within itself. It owes itself money. (Alberto: Ja. Ja.) That's it. They just had to start getting [The rest is not clear.] ...

Alberto: That and the Italians like not paying their taxes for lack of [The rest is not clear.] ...

Darren: Ja, no, but that's quiet. But the thing is, that circle, all they, all that circle did was slow down. (Alberto: Ja.) They just have to find a way to speed it up. And the only thing that slowed it down was the Euro Zone is they went from the Lira to, and they forced the, the Euro onto them and it actually did such a shift in terms of their costing and their efficiency, it buggered up, and that's exactly, exactly where South Africa needs to be is that you so localised, because we are the gateway to Africa, (Bernadette: Mmm.) so if everything was made here and we just chucked it into Africa, (Alberto: Mmm.) if South Africa slowed down, you don't stress about it, it's just a bad time and you go through the [Word not clear.] and the rest of the world comes on you. And, and ...

Bernadette: Uh, politicians and their, (Tyron: Ja.) their wheeling and dealing with China and ...

Darren: Here's an interesting thing I want to, (Bernadette: Ja?) in economics you get a thing called the term structure of interest rates. So bond yields literally have like a, a, a yield to maturity. (Alberto: Mmm.) Now what just happened is the Americans have just stopped QE3 as of this week. (Alberto: Ja.) Now what's ex, what they expect is that the term structure interest rates inverts, literally goes on its head because guys start investing only long-term, you drop your yields, then you start getting a, a inversion of the curve, and, and what it is, there's PhDs written on it that it's 100 percent, 100 percent predictor of future economic growth. (Slight pause.) So they stopping QE3. They looking at there might be an inversion of the term structure, if that inverts, (Slight pause.) there goes literally, um, the American economy, it's going to slow down. But what starts to happen is everyone starts to hold onto Dollars. What happens to the Dollar? It starts depreciating. Good luck to the guys importing on Dollar depreciation, (Alberto: Ja.) you know? (Bernadette: Mmm.) So again, I'm just like, thanks guys, you know, I'll just carry on making my relationships on the formal ground. And that's where Tyron and I, I mean, we've still got to keep the bigger picture in terms of the bigger, you know, we might be going through it all now but I still do think that small man, just keep it small (Bernadette: Mmm.) and manageable but have lots of it, you'll, you'll, you'll survive (Bernadette: Mmm.) and be just fine.

Bernadette: Well, that's what I'm, that's, that's the point of my research is to see how smaller medium enterprises who have survived, that's why I'm looking for more than 10 years in the business because you've been through then this whole (Darren: Ja.) cycle, (Tyron: Mmm.) economic cycle and everything.

Darren: If you can find businesses that have been through the 80s, (Bernadette: Mmm.) it's the same (Bernadette: All the ones I have interviewed have ...) ones that have been through the 80s are the ones that are going to survive now. (Bernadette: Mmm.) The ones that have never been through the 80s don't know what it's like to go through ...

Bernadette: Mmm. Well, those are the ones I'm looking at.

Darren: You know, when you had 24 percent interest rates, negative growth yearly, (Bernadette: Exactly, ja.) huge government problems, you, you embargoed, (Bernadette: Sanctions.) (Tyron: Mmm.) you had sanctions, you had everything, yet they still survived.

Bernadette: Ja. And what is it that allowed them to survive all that external risk.

Tyron: Ja.

Darren: Ja, ja because ...

Bernadette: That's what I'm ...

Darren: It was a r, and I can, I'll put my chop on the block, it was actually containing your circular flow of money that I don't go by my bread and milk at Spar, you go to a cafe down the road and say, ja, howzit, Alberto. How you doing? You know, how's the [Word not clear.], can I have this, can I have this.

Alberto: It's, that's the Italian business model. (Darren: But ...) They all, everyone owns a little shop that they go and buy from. No one goes ...

(There is then a discussion of how it is in Italy and getting back to the interview.)

Bernadette: Ja, I'm just running through, because I think we've covered most of what you've said of high risk and medium risk. Um, high risk, one false move can result in a severe loss.

Darren: Ja.

Tyron: Construction.

Bernadette: Construction.

Tyron: That's linked to construction that answer.

Bernadette: And you've spoken about ...

Tyron: And a wrong costing in standard product.

Darren: Ja.

Bernadette: Wrong costing, ja. (Tyron: Mmm.) Um stressful, hostile and hard for survival.

Darren: No, it's the easiest walk in the park [The rest is not clear.].

Bernadette: Oh ja. It says safe, with little threat to my firm. Ja, right. (Bernadette laughs.)

(There is then a discussion about the questionnaire that Bernadette sent.)

Bernadette: Um, is there anything else, because if there is anything that I missed because I did go through this.

Tyron: Even if it's via telephonic ...

Darren: You can just send it to us as well and maybe I'll write it up in a summary and you can just highlight the question that, if you want some insight I'll write up and give it back.

Bernadette: Ja, if, because I think lots of it, are you ISO? We've spoken about that. Day to day management activities, (Alberto: We've spoken about that.) I think we spoke about that. Official reporting structure, you've got a organogram, I think, in your report. (Slight pause.) An organogram.

Tyron: [Tyron says something that is not clear.]

Darren: Ja, it's changed a bit but I can get you one.

Bernadette: Ja, so I'll just ...

Darren: I'm actually working on a new one.

Bernadette: It might force you to do that. Organogram. Do you believe that your education, training and experience has played an important role in what you do?

Darren: 150 percent.

Bernadette: 150 percent.

(There is then a brief discussion about the post grad.)

Tyron: In terms of investment, that MSC actually largely ...

Darren: No, funny enough that, the Masters course is [Word not clear.] and ...

Tyron: Without that Masters course we actually wouldn't be in a position to do it.

Darren: But I just, I would like Tyron to go back and just do the finance (Tyron: And do the ...) and I would like to go back and do a little bit more of the reliability and the maintenance engineering stuff. So I want to look at the more technical ones and then Tyron can do the finance, but it's all there in that course, hey. I promise you ...

(There is then a discussion about the courses one can do in the Masters engineering degree. There is also a discussion about sending the production manager for a course at WITS. There is then a discussion about Wane from Lawsons and how the company is run. There is also a discussion of other companies.)

Alberto: How long has the company been in existence for?

Darren: 48 years, 1966.

Alberto: What industry do you specifically consider yourself a part of?

Darren: It's two industries, construction and sheet metal fabrication.

Alberto: Which is manufacturing.

Darren: Manufacturing [The rest is not clear.].

Alberto: All right. How long has your company been trading your current product range?

Darren: Um, construction started in 1997, that's when we went onto our first construction stuff. Exact, the standard product stuff, I think we started, we peace mealing it as requested from our current one, uh, customer, I think in 99, hey, that's with that specific standard product. In terms of the cabinets and stuff, that's been since forever. The cabinets we've been making since literally 66.

Alberto: Okay. How many people are employed here?

Darren: Uh, at the moment 40.

Bernadette: And those are permanent.

Darren: Permanent, ja.

Bernadette: Okay.

Alberto: Where do you fit in according to South Africa's business Acts definition, small, medium or large. Obviously medium industry.

Darren: No, no, (Bernadette: Small.) (Alberto: Small.) we small.

Alberto: Still?

Darren: No, the medium, they changed the definitions now (Alberto: Oh yes.) so the definition ...

Bernadette: Small is under 50.

Alberto: Oh yes, because they've ...

Darren: It's now under 50.

Bernadette: Ja, because I've got it here in my ...

Darren: For small-medium is under 50, I think?

Alberto: No, they've changed it ...

Bernadette: 50 to 199.

Darren: Is it?

Alberto: Dependent on the industry it's either 100 or 200.

Bernadette: Ja, ja.

Darren: It also depends on the number of employees you have, hey?

Alberto: Yes.

Bernadette: Ja. And also ...

Darren: Ja, our, our employee base and that we sit in ...

Bernadette: It's also your turnover, they do it (Darren: Ja.) on turnover as well, that's where ...

Darren: Ja, our turnover is under 50 million but over 10. [The rest is not clear.].

Bernadette: Ja, you've got it in here, ja.

Alberto: Okay.

Bernadette: Between 13 and 51. (Darren: Yes.) That's a piece.

Darren: Ja.

Alberto: You answered this one earlier. Do you want your company to grow further? Yes.

Tyron: Ja.

Alberto: What are constraints for growth, in house or outside factors?

Darren: It's both.

Alberto: Both?

Darren: Ja. Do you want, do you want me to elaborate or, or you got it from the whole export, import, (Alberto: Uh ...) skills shortages, that's the main thing, (Alberto: Okay.) it's literally your skills shortage and your ability to get your current, your people to operate efficiently here, (Alberto: Ja.) and then it's obviously you've got fighting macro variables (Alberto: Ja.) that keep on buggering around the product.

(Slight pause.)

Alberto: Uh, further to the above, would you prefer an increase in net profit of the market share or, and turnover?

Darren: Oh, net profit any day. If we could do the same turnover and really have a nice meaty profit, it would negate a lot of the risks, so you, you always want margin [The rest is not clear.].

Alberto: [Alberto says something that is not clear.]

Bernadette: And that you gain, you, you are working on that currently through building efficiency in your processes.

Darren: You can ask Gero Products why I say that. Gero, I have to find them because they not around anymore (Alberto: Oh, okay.) because if you sacrifice a margin, you can turn huge numbers but to get the huge numbers you've got huge overheads (Alberto: Ja.) and the margins will offset that if it goes bad. That's what happened, so, (Alberto: Mmm!) you trade with margin.

Alberto: Is there a lot of competition in the products you supply?

Darren: Plenty, ja. No, it's very competitive out there.

Tyron: Construction.

Bernadette: Construction ...

Darren: Ja.

Tyron: Construction game, it's extremely competitive. Um, reputation gets you by, um, standard products, uh, that's, that's ...

Darren: We initially found from [The rest is not clear.] ...

Tyron: Locally it's smaller (Darren: Ja.) but you've got the risk of imports, (Alberto: Okay.) so there's probably a hand full of guys who can make this at the pricing that we can do it but it's more that you competing globally, in a way, because it's ...

Darren: Globalisation.

(Slight pause.)

Alberto: What are your competitor, what do your competitors compete on pricing, quality, service or anything else that comes to mind?

Darren: Um, ja, they try on, ja, they try us on quality but right now it's pricing to market, hey. (Alberto: Okay.) They try and undercut you (Alberto: Ja.) even if the quality's horrible but it's slowly, slowly starting to turn because they, like, you've got a product lifespan cycle and that lifespan cycle is longer on ours than theirs, (Alberto: Oh, okay!) so then people want to know

why's that one looking fine and that one looks horrible. We want that one again and that's where (Tyron: It's in ...) we started to see repeat business come in.

Tyron: Before we came in I tried to, our, the sleepless nights was identifying like key aspects of the business and our value proposition (Darren: Ja.) does not involve price.

Darren: Ja.

Bernadette: So what is your value proposition?

Tyron: Quality and [The rest is not clear.].

Alberto: Okay, quality and service.

Tyron: And price, if we can we will but if we can't compete on price, I'm not going to break my back to [The rest is not clear.] ...

Darren: The price quality matrix, that we can play with but with people we must be upfront, but in terms of standard product (Tyron: Mmm.) and our, our every day activity (Tyron: Quality.) it's quality over price any day.

Tyron: And on, on time delivery because imports haven't got that luxury, so we'll hold stock, we'll do that, so, as our value proposition price is bottom of the list.

Darren: We try and run that line at 45.

Tyron: Ja.

Alberto: Okay. Um, main risks that the company experiences?

Darren: Um ...

Alberto: Strike action, finances, competition, (Darren: Ja.) services, (Darren: Ja.) service expertise and [The rest is not clear.].

Darren: Literally it's all of that.

Tyron: Raw, to be more precise, on the service side (Alberto: Ja.) is raw material, (Alberto: Ja.) um, Internet connection, telephones. (Darren: Electricity, price on electricity supply.) quite literally I'm giving you facts from literally a month's, a month's worth of risks that have occurred to us, (Alberto: Ja.) raw material issues, telephones going down, possible loss of orders, um, (Darren: Electricity going down, [A few words are not clear.] generator. That's further revenue loss.) (Bernadette: You don't have a generator. You do? Okay.) electricity going down, uh, then you've got the strikes, (Alberto: Mmm.) legislation that governs the business, health and safety (Bernadette: Mmm.) and all those fancy things. So basically all that on the list that you've got and that [The rest is not clear.].

Darren: And all of that is compounded into financial stress.

Bernadette: Mmm. So manual, you say here, poor supplier services, late delivery, quality.

Darren: Ja.

Tyron: Ja.

Bernadette: You, (Slight pause.) okay, you mentioned, and Tyron mentioned the [Word not clear.].

Darren: He's right.

Bernadette: He's right.

Darren: Ja.

Bernadette: Okay. Floods, natural disasters set with medium ...

Darren: Well, with hail right now (Bernadette: Ja.) and the amount of rain that we get, (Alberto: Mmm.) to run a construction site is, you can't.

Bernadette: Ja!

Tyron: And also raw material, our raw material rots (Bernadette: And it sits outside, ja.) and it rusts (Alberto: Oh ja.) and then our turnaround times get affected (Bernadette: Mmm.) because we've got to clean it, (Alberto: Mmm.) so that gives you an idea. So we've got like everything(Bernadette: Ja.) because that could be a answer in a test, that's what it would be.

Darren: One way ...

Bernadette: Ja, manual processes inventory control and variability in raw materials from suppliers is medium.

Darren: Ja.

Tyron: It would be medium to high but, uh, ...

Darren: Ja, the variability, you can buy the prime, okay, in terms of construction it's, it's variable but if I really, really want top quality sheet metal stuff I can get it but it's at a ridiculous price. (Bernadette: Mmm.) (Tyron: Mmm, so ja.) So, so we generally [A few words are not clear.] stock and then, and you got fluctuating price but the quality tolerances that we run it's fine, we can run with that material.

Alberto: Okay.

Bernadette: And settling of accounts from your key customers, do they settle?

Darren: Ja, we, we, we in a very fortunate position that because I make a retailable product really, that fire stuff, (Alberto: Mmm.) (Bernadette: Mmm.) I have a certain amount of customers I can have on account and they very cash flush in terms of how they do their business because they, they like service a huge amount of cliental, (Bernadette: Mmm.) so what happens is it's a COD basis for them, so they very high on cash, so if, if I have them on account it's generally after 6 months of trading (Alberto: Mmm.) otherwise, with all my other accounts, if we still not 100 percent sure and they all COD, so I, that's how I boost my cash flow so quickly because ...

Tyron: And then demanding deposits up front on the construction side so it's ...

Darren: So, so if it's a one off, so on the job side, jobbing side of the business, 50 percent upfront, 50 percent of the COD and on the fire stuff, the standard product, we either run COD accounts for 30 days, and then on the construction stuff it's a bit of an issue because what they do is, it's called your claims, so you put in a claim from repetitively doing work, so what, essentially what you do is you've got to put in a claim, and you always used to put in your claim on the 20th or the 25th of the month to be paid on the last day of the month, uh, of the next month, (Alberto: Mmm.) so it's for 30 days. (Alberto: Ja.) Now what they doing is when you start, they ask that your claim be in on the 18th and you only paid on the 30th, so it's a 42 days that they pushing the guys to now. And they speeding up (Alberto: Mmm.) their batch ...

Bernadette: And that's fun, and that's where the risk comes in.

Darren: And there's a huge risk in that and they know it but they know that they the kingpins of it, (Tyron: They keep passing on.) so what they doing is forcing everybody else, (Bernadette: They using power.) they passing the buck, and they using, because they passing their costs on to everyone else on a much quicker (Bernadette: Mmm.) basis. So they turning their money every 30 days, (Bernadette: Mmm.) they probably also claiming in from their client every 30 but they getting 42 days out of everyone, so there's always a, well, your 42

days, we, ja, it's actually 42, (Tyron: Ja, it's 42.) so, so they running a cycle there so their cash conversion cycle is actually inverted like the Pick & Pay model.

Alberto: I was going to say just like the Pick & Pay model. Okay. Um, how long have you been working with your three biggest customers?

(Slight pause.)

Darren: 20 years.

Tyron: Mmm.

Bernadette: And who ...

Darren: [Darren says something that is not clear.]

Tyron: For both sides, 20 years construction and also from the sheet metal.

Darren: 20, 20 years on the fire as well (Bernadette: Mmm.) and now I'm fighting with them.

Alberto: And you guys have a good working relationship with all of them?

Darren: Um, it's actually been incredibly strained of late. Um, right now we sit with, uh, one's Chub Fire, and they've just become incredibly arrogant in terms of how they do business. It's a big company, UTC owns them, following procurement procedures and procurement officers just think they walk on water and they don't know how to treat people. Um, what they don't realise is they've fallen to be my 7th largest customer so they [A few words are not clear.] anymore. (Alberto: Mmhmm.) So as soon as I get to a point, I'll pull stop supply, they also pay me 45 days at the moment, which is not ideal, um, but because the relationship and the, the relationship I formed with the chief procurement officer not the guys who actually do the procurement and pay me, we letting it slide for now and then we can see how we can use it to our advantage (Alberto: Mmm.) in the future. So we will take a long ...

Tyron: Take a negative and turn it into a positive.

Darren: And, ja, we don't just want to be like the old school way and say, well, stuff you and walk away, (Bernadette: Mmm.) we rather say, okay, these are ...

Tyron: It's my dad's reaction, you tell them to f-off.

(Bernadette and Alberto laugh.)

Darren: But you can't do that anymore because a customer's like gold. (Alberto: Mmm.) You've got to look after them, (Bernadette: Ja.) no matter what anyone says (Tyron: Ja.) but we not going to take it lying down, (Bernadette: Mmm.) so we going to end, but instead of saying to the guys, stuff you. We going to say to the guys, this is what's happening, is there a problem? How can we fix it? And we will mould ourselves to, to (Tyron: Mmm.) whatever your requirement will be to make sure it works smoothly. If it carries on moulding, the chief procurement officer has a brain and he's going to be like, jessy, you guys are being stuffed around from pillar to post. Ja, we are. And then he will [A few words are not clear.] (Tyron: [A few words are not clear.], ja.) And the other ones just through all that fighting and arguing and that, that we spoke about earlier just Tyron [The rest is not clear.] ...

Tyron: And the cons, so Darren, I think, if he answers it's more, take it as the sheet metal side, (Alberto: Okay, thanks.) and I'll like ja, but on the construction side that relationships currently is what's pulled us through, so that's actually very good. (Alberto: Okay.) Um, it gave us a big knock the, (Alberto: [Alberto says something that is not clear.]) the one bad one now, but currently, the work we've got on book as of now, is all through excellent relationships.

Darren: Ja, so, but in terms of our longest standing, because that's the question, how is the relationship with your longest standing customer, it's actually quite strained right now on the operations level. (Tyron: Ja.) (Alberto: [Alberto says something that is not clear.]) On a hierarchical level, right up on the macro side, those old ballies that sit there and still look after us but on our every day, trying to organise, trying to, [A few words are not clear.] business with.

Alberto: Do your customers convey who their customers are for specific jobs?

Darren: Sometimes, sometimes they actually purposely ask us to even deliver to their customers and pretend to be someone else. So what actually happened, I'll tell you, we did a design for a company called Intermec. Intermec then sold on our design to, uh, Lindy, and Lindy sold our design to Unitrans, and Unitrans sold our design to the JD group. It started out here at R29000 and it ended out at R187000 in the final purchase. The same thing.

Tyron: Each oke adding his margin.

Alberto: Ja, I know.

Darren: Adding his margin. We change ...

Alberto: And closer to the end of the chain the bigger margin you get.

Darren: We then got called by Intermec (Bernadette: Mmm.) into a meeting with Barlow World to design new things for their logistical stuff. And what happened was that Intermec's about to liquidate, so the guy was nice enough to actually take us back to Barlow World and introduce us as **Steel Company**. You should have seen their face. I was there. It's literally like Francois and Darren, they don't work at Intermec, they from a company called **Steel Company**. So it's like, what! They said, do you know that's misrepresentation? He said, no, I'm not misrepresenting, but I didn't want you to know who I was getting my supply from. And these guy, and he said, if **Steel Company** was willing to understand that thing, that he holds the relationship but that we going to get the work and our margins are margined and, and it's fine. (Alberto: Gees!) It was, it was actually unbelievable. (Bernadette: Hmmm.) So, ja, and, and, and the end customer there is actually not, not South African. Barlow World runs their (Alberto: Mmm.) warehousing from [Word not clear.].

Alberto: Mmm.

Bernadette: Mmm.

Alberto: Are you guys aware of the other products and services that are offered by your customers, um, ja, by your customers?

Darren: Ja, now ...

Tyron: Ja, although we do have work to do in terms of understanding our market.

Darren: I'm on a huge drive, at the moment, (Tyron: Ja.) to understand every aspect, so you will see there's a lot of, there's an orange box in the office there, that's actually something we could make and what our customers currently do with it, we have no idea. Absolutely I had no idea that they actually deal with that special security box, (Tyron: So we working process on that.) so now, [A few words are not clear.] huge thing in terms of understanding that, the real, I understand what they do in Grainsteens but really starting to hone in on their business. Um, on the fire stuff, it's really hone in on the occupational health and safety act (Alberto: Mmm.) and understand it to hone in solely so we can actually design our products around that and be considered an occupational health and safety act steel.

Tyron: Mmm. So understanding our place (Alberto: [Alberto says something that is not clear.]) in the market place we still have lots of work to do.

Darren: Ja.

Alberto: Okay. Um, so ja, that information would be of use to you. If large contracts to reputable companies were available, would a company, such as yourself, be open to creating a fully transparent working relationship?

Darren: Ja, we are actually in the process with Nissan to make the head rests. If that landed it literally would be to the point that they would know where I get my steel from, they would know how many I punched this day, and how many do this, you have to, have to, it's big contracts.

Bernadette: Ja, the motor industry is very stringent.

Tyron: And they would audit our quality.

Darren: Ja. Ja, and also if it's a big contract and you can be transparent about your margin, I'm, I'm not going to be embarrassed to say I'm earning 20 percent. I'll be embarrassed if I'm earning 80, 90 percent, (Alberto: No, of course, ja.) but if I'm being an honest business that I'm not there for free, I'm going to make my 20 percent, (Alberto: [Alberto says something that is not clear.]) if I'm going to get the work, and everybody understands, (Alberto: Ja.) of course, there's nothing to hide.

Alberto: And if there weren't large contracts, would you still think that there's benefits for levels of transparency?

Darren: Ja.

Alberto: Ja.

Darren: Ja, I think that's, uh, how you get repeat business. You might, it might be like this but from a different customer [The rest is not clear.] ...

Tyron: Transparency (Darren: Perfect ...) is, is the name for it.

Darren: Perfect example, that was Schneider, he didn't have to phone me, he could have just left me. And he phoned me because right at the beginning I said, Christo, I'm going to be as open and honest with you in terms of, I'll even bring down my costing for you and show you. And that was a courtesy call actually to say, Darren, you know what, Apple's come in and, and they coming in at a price that, I know, won't be sustainable for your business and ja, so don't worry about it. Just relax. Cool.

Bernadette: Mmm.

Darren: It made my life easy, I'm not trying to find (Alberto: Mmm.) and spend my time and effort honing in on it.

Alberto: Mmm.

Tyron: Because the beginning of the week started with Darren saying, I want to put Schneider to bed, I want to know whether they in or out. I don't know where I stand with them. I want the sample done. (Darren: Now I've got closure.) He got the sample done, he got the sample done by, I think, Wednesday, had meetings yesterday, answer today. (Darren: So end of the week, Schneider's going to [A few words are not clear.] for me.) So there you go. Move on to the next thing. You don't get upset. Move on.

Bernadette: Ja, you can move on to (Tyron: Ja.) something new.

Darren: Ja. And, like he said, he said, Darren, you being so, he was skirting this oke, and he said, you being so cool about it. I said, ja, we in the, we in the finished retailable quality stuff. To make a galvanised box for [A few words are not clear.] distribution was, it's such cut throat stuff. It's the finishing, hey, making a product that's retailable, all of a sudden it has a perceived value and that perceived value is where we getting our margin. Not selling just time and machine, (Alberto: Ja.) as Wane says, and, and that's where we targeting and, uh, (Alberto: Mmm.) and he understands it.

Tyron: Ja.

Alberto: Mmm. Um, if one of your customers was in crisis mode, would you do something to help them in terms of discounts ...

Darren: On a daily basis.

Alberto: Okay. So yes.

Tyron: So they got us through the strike.

Darren: Current suppliers is what got us through everything, you know, I phoned, we still not even that bad, you know, it got to a point where, where I had to push Mac Steel to 90 days. It's in our terms, we lucky enough, we've been around long enough to qualify for 90 days, and I wasn't sure and I just said to the guys, literally, and the lady as well, I said, if I push you to 120, what would happen? She said, nothing. (Slight pause.) [The rest is not clear.]

Tyron: That's more our suppliers but our customers, if our customers are in trouble, (Darren: Ja.) we've helped them out many a time.

Darren: There's a, Tyron and I have developed a little saying, it says "Your customer is not king. Your supplier is king." Your customer is what keeps you afloat and great and you make a lot of money off him whatever but your supplier, in the bad times, is the guy that will carry you and help you and, (Alberto: Mmm.) and, and, and see you through it, hey, and it's, it's happened more then 10, 20 times while we here. And literally, when you phone, you go on your hands and knees and you feel like a ruined idiot, and you eat humble pie all day long, that's fine. (Alberto: Ja.) But when the times are really good, you never ever squeeze them on their price unless you sitting around a table for a specific job. You just pay and let him earn his margin and you pay him on time. (Tyron: And that's ...) But when you squeeze and you squeeze and you squeeze and you squeeze, when the time comes that you ask for something, he's going to give you [The rest is not clear.].

Tyron: Focus on that question with Wane. (Darren: He's got a completely different way around it.) He's perspective is exactly the opposite. (Bernadette: Mmm.) You'll see.

Darren: He says, I will squeeze you for everything you earn but, and no offense to, to Wane at all, is that when you've gone through an incredibly bad time, (Alberto: Mmm.) he's been through a tough time, he hasn't been through a seriously tough time, I, I'm talking the 80s, I always revert back to the 80s because when I studied that's your model for when crap hits the fan. (Alberto laughs.) You've got to, can I survive the 80s? Yes.

Bernadette: As a South African.

Darren: Ja. And our question to my father, when we asked him, Dad, can we make it? He said, I made the 80s. (A few words are not clear.) That's essentially what he said. He said, I made 97, I made 96 and I made the 80s. (Tyron: Ja.) It's all these years.

Bernadette: And 2008 didn't feature so the credit crash and everything.

Darren: No, we did our best year ever, 2008, 9 and 10.

Tyron: But, but that's an interest point ask (A few words are not clear.). (Alberto: Ja.) I spent my life ...

Alberto: Trying to convince him otherwise.

Tyron: Ja, but saying Wane, you shouldn't push your supplier this hard. And I, I've nurtured those relationships, tried to, and chopped and changed, quote here, quote there, quote there. I'm even weary of asking a supplier for too many quotes. I'll send them work just to say thanks for quoting.

Alberto: Ja, no, agreed. Ja.

Tyron: Because if you ask for quote, ask for quote, ask for quote, he gets so gatvol, eventually you don't even get a good price because he actually bumps it up because he's f**ing quoting, and that's what we've done now and the supplier that, that, and, and that's why I was like heavy off the record, supplier he's kicked into touch. I'm making a point in nurturing that because I understand his operation. Wane doesn't understand his operation if it doesn't suit Wane's manufacturing (A few words are not clear.) because he's customers pressure put pressure on him, he has to pass it on where we try put up with that pressure and keep these guys happy because the pressure's there, it's not that much but believe me, it gets worse and when that gets worse, I jump on these guys. And that's, so that's where it's different. Um, but that's a good question.

Alberto: Ja, ja.

Bernadette: Different way.

Tyron: A good question.

Alberto: Um, if it was proven that such an act would help sustain the supply chain and actually benefit the market as a whole, would you guys, so in that crisis mode (Darren: Yes, we would.) would you help people out, do you make it a permanent thing?

Darren: Ja, no it's exactly, by permanent you mean?

Alberto: As in, so if you were to give them let's say payment terms that are better or discounts on a continuous basis (Darren: No!) as opposed to just a once off, you'd then make it a permanent arrangement to give a discount because he's always ...

Darren: No, what we will try and do is manage it to a point that it benefits both businesses. (Alberto: Okay.) So what you'll do is like right now, it might be hurting me but I might be making a lot of money right now, I say, okay, cool. ABC Co, you, you on 30 days for now. Let's just help you, help you, help you. The second you right I'm afraid it's, it's staffling my cash flow but I can handle it now but I don't know if I'm always going to be able so (Alberto: Mmm.) we will go back to the COD basis, um, and then we will review. It's not a problem, it's always open for discussion. But ja, right now that's how we would run it, it's a case by case process, [The rest is not clear.].

Alberto: I've got a list of things here that you can just say yes to or no, depending on the answer. Currently, which of the information below is passed between yourself and your customers? Scrap metals.

Darren: No.

Alberto: Rework levels.

Darren: Uh, not always.

Tyron: No! Not, rework levels? No.

Darren: Ja, ja, int, you talking rework percent, no.

Alberto: Process repeatibility.

Tyron: Yes, (Darren: Ja.) because that helps with orders is repeatable, I'm going to tell him that, I won't tell him the reject stuff.

Alberto: Supplier quality issues.

Darren: Ja. You have to be open and transparent about it, you don't want to pass the buck.

Tyron: We are. We, but customer specific cause you don't want to sound like you moaning because you coming with an excuse on why you can't do the work.

Darren: So like now we've had to say, ah, our suppliers ...

Tyron: Yes, no, uh, just ask the question again?

Alberto: Which of the information below is passed between yourself and your customers?

Tyron: Ja, but just ask the question (Alberto: Oh!) as a yes/no so it's define.

Alberto: Material defects.

Tyron: Material defects, ja?

Alberto: Okay, I see what you mean, okay. Supplier quality issues.

(Slight pause.)

Darren: (Darren says something that is not clear.]

Tyron: We do pass it on, yes.

Darren: Ja, so you do, so, and, but we pass it on but we don't make it their problem.

Alberto: Ja, no, no, it's just ...

Darren: So we will tell them of the issue but it's not their problem, it's ours.

Alberto: Ja. Continuous improvements.

(Slight pause.)

Darren: We don't, we don't share that, though our endeavour at the moment, so what happens, so what happened is (Tyron: Yes!) where we see cross benefits (Tyron: Ja.) we will then say, guys, we found a new way, (Alberto: Okay.) this is it, it's cheaper to make, I'm dropping your price by 120.

(Slight pause.)

Tyron: Ja.

Alberto: The cost of your materials.

Tyron: No.

Darren: Uh, only my sheet metal I will, but if I get good deals, so what happens is auctions that happen, (Alberto: Mmm.) I won't let them know about that but they more than welcome to know how much I pay for the sheet metal.

Tyron: There's actually two distinct answers. Sheet metal side, (Darren: Ja.) with Darren's collaboration, yes. Construction, no because it gives my discount away because this price, the list price of steel is the same for everyone. If I pass my material cost on they can, (Darren: It's the relationship that's developed that discount.) they can work back my, my discount and then they going to question me and sometimes I do want to make a good margin where I can. So in construction, no, sheet metal, yes.

Alberto: Your overheads.

Darren: Um, to a degree. So, for instance, what's happened now is my large companies, when we have a price increase, we actually give a full break down, what, what's happened with my variable costs, what's happened with my wages, for everything, from a percentage basis and I justify my price increase and it's 100 percent, if they want to order with me on that they more than welcome to.

(Pause as Darren looks for an e-mail he sent to one of his clients.)

Alberto: While you looking for that, (Tyron: Ja, go for it.) subcontract costs.

Tyron: Um, no, (Darren: No.) no.

(Darren then reads an e-mail which he sent to one of his clients after the strike.)

Alberto: Factory cost rates like your machine rates or anything like that.

Darren: Um, no, it's actually for us it's a little secret, hey? (Alberto: Okay.) And the reason why is because we use old machinery and we don't have depreciation and I don't have the finance costs sitting in my [The rest is not clear.].

Alberto: Transportation costs.

Darren: Ja. Um, lately what I've been doing is [A few words are not clear.] (Tyron: Try pass it on.) but we starting to try pass that on now. So if it's like a, a random delivery that's not of high value and we want to still provide the service, I just cover [The rest is not clear.].

Alberto: But then do you pass the information on that the transportation costs ...

Tyron: Actually costs.

Alberto: Ja.

Tyron: But I ...

Darren: Ja, so I give them the choice, so I ...

Tyron: No, but Darren, there's, the cost is the question, and we don't give our exact cost because I always think, if you, if you going to give away what your margin is ...

Darren: No, I give them the cost. It's 13 ks at the AA rate or whatever, I don't manage, I don't [A few words are not clear.] (Tyron: It's an AA rate but your actual cost in terms of working out ...) I use fuel price costs. I don't do the packing and the wrapping cost but in terms of delivery, I give them the fuel cost. I cover my fuel at the same cost.

Alberto: Okay, but you guys do transmit some sort of information (Tyron: Ja.) about what the cost is.

Darren: Ja.

Alberto: Okay. Cost of non-quality, so if something is crapped, do you tell the guys, this is how much it is going to cost me?

(Slight pause.)

Tyron: Um, no.

Alberto: I suppose it depends if it's their mistake or yours.

Tyron: Ja. (Darren: [Darren says something that is not clear.]) If it's their mistake, construction it's tough because then you don't want to leave a bitter taste in the mouth. But, uh, ja, in construction we do, sheet metal, no.

Alberto: Okay. Um, order receipt process. You guys tell them, go through the stats about how, you know, [The rest is not clear.] ...

Darren: I'm starting to become quite tough on that. I want to, so if I get an inquiry, (Alberto: Ja.) I quote, please send me a purchase order, when the order is received then we give a delivery time and we deliver according to that whereas before it's been, oh, do you have stock? Okay, wait, I'm going to come pick up my stuff, I'll send through the PO and then, it doesn't work like that.

Tyron: And also the risk in that is, I do claims for construction and when I arrived, my dad was accepting orders through the telephone, making it, having it galvanised literally, and just before it's going to be delivered or once, no, actually just this week, (Darren: Ja.) it's, ja, the roof is in, it's been installed, (Alberto laughs.) and my dad's only quoting him now.

(Bernadette laughs.)

(Slight pause.)

Darren: Ja, no, we new ...

Tyron: So that, that is being driven in a big way.

Alberto: So you guys do pass that on (Tyron: Ja.) to the, the customer the process of ...

Tyron: Well, it's coming. We need to pass it by my dad.

(Everyone laughs.)

Darren: Ideally, what I'm trying to do is (Tyron: Ja, but ja.) our new website, which I'm battling to get off the ground now, is it will have a back end, the possibility of having a back end where the guys can order online (Alberto: Okay.) to force the process to generate. So my idea was to actually have a user log in, they log in, do their order and then it generates the quote, [A few words are not clear.] an invoice, [A few words are not clear.] can come and fetch their stuff.

Alberto: Do you guys transfer information of capacity planning?

Darren: Um, to a degree.

Tyron: Yes. Construction side, yes because it helps me negotiate around lead times. (Alberto: Okay.) Um, sheet metal I think Darren can ...

Darren: Ja, on, on, on our side, right now, what I've tried to do is just pull the standard lead time and then just make it my problem to make sure it's out by then.

Alberto: Okay.

Tyron: Where in the future though, on that, um, (Darren: We will know exactly how much ...) capacity planning is that we have infinite capacity because we will deliver as soon as possible. That's, that's the ...

Darren: Ja, so we'll have stock, stock has EOQ levels, EOQ levels kick my production and then I'll manage them and because we [A few words are not clear.] more control, as it comes through I know exactly how much they should be producing (Alberto: Ja.) so I know how quickly I can build the stock level up and then that will be my meeting.

Tyron: But when you make to stock you've got instant delivery.

Alberto: A few more just yes or no. Is, um, any shipment processes?

Darren: Um, it's actually starting (Tyron: No.) to creep in a little bit now where I've got a currier guy having to do curriers of fire stuff (Alberto: Oh, okay.) all over. So what they've done is they've given us the back end of their system where I can actually order, I can plan my whole procurement, well delivery thing and the oke will rock up here, from my computer, but right now I'm a bit uncomfortable with it so right now it's, it's quite a set procedure. I get a quote, so if a guy wants a random delivery, I've got one now for, for Rustenburg, I literally, I go to the currier, and I say, okay, I'm going to quote you on delivery, that's the price of the good, (Alberto: Mmm.) now delivery's a bit different. I go to the currier guy, I wait for their quote, I add a little hand in charge on it and I spread it out [The rest is not clear.].

Alberto: Information passed on about lead manufacturing?

(Slight pause.)

Darren: I wish we practiced it a bit more.

Tyron: Um ...

Alberto: Okay.

(Bernadette and Alberto laugh.)

Tyron: Um, no, we not practicing it as a, as, it's not a philosophy, (Alberto: Okay.) the company's had to pass it on [The rest is not clear.].

Bernadette: There's nothing to pass.

Alberto: Any information on inventory management.

Tyron: Um, that would be on the stock side.

Darren: Ja, we do, we do let them know about stock, um, but again it's not, you know, so what I'll do is a lot of the time I'll be like my work in progress (Tyron: Well, coming to the end of the year we do.) is here, if you hang tight it's going to come through. That's the time ...

Tyron: Ja, you can say we do, I think so, especially at the end of the year.

Darren: But it's not, it's not like your [Word not clear.] manager inventory that you get in the motor industry where the guys can actually see your stock level. (Bernadette: Ja.) So like PMG, like PG Glass literally has access to other guys thing [The rest is not clear.].

Bernadette: Ja.

Tyron: No.

Alberto: Um, passed on to customers information about other suppliers.

Tyron: Um ...

Darren: If we too full so it's again it's like a bit of transparency thing, um, so like now, I'll talk about the construction side. We've got a relationship now that's been developing with an Italian guy who owns a company called Ivma. If we are too busy [Word not clear.] we can, so it's a bit of a choice. we, (Tyron: He's a competitor in the ...) he's a competitor in a sense but we can get him to do work and we will pay him and we will do the delivery and it will be as if RMW manufactured it (Alberto: Oh, okay.) because, I believe, his quality will be the same as ours. (Alberto: Mmm.) But what I'm also willing to do, because [A few words are not clear.], I can say, listen guys, we are too full. If you go down the road here, there's a guy [A few words are not clear.], he's fantastic, please, (Alberto: Mmm.) he's a bit quiet right now, please give the work to him. Happy to do that. That's the type of thing that we also do.

Tyron: Ja, and what you find is that reciprocates.

Darren: Ja. (Alberto: Ja.) That, that (Tyron: Ja.) lamp stand that sits down there, that's him. (Tyron: He gave us that work and we gave him ...) He gave us that lead. He eventually said, Gav, Darren, I don't want [Word not clear.], I don't want anything, and it's literally [A few words are not clear.] and be 30 percent of my business [A few words are not clear.]. That's how amazing he is, hey. We will, for that, I will always make sure I give him what I can.

Alberto: Um, potential contracts.

Darren: Um, we've done it before where you want to go in together. (Alberto: Ja.) So you say, guys, this is a bit big for me. Let's, let's (Tyron: Ja.) do it together.

Alberto: And then stock levels, you already answered and the [Word not clear.] manufacturing on. Okay. All right, onto the next section. Would you like to know who your customer's customer is?

Darren: Would love it. (Tyron: Ja, I'd love to.) So, for instance, on construction now, when I hear Atterbury's WBHO's, I start squirming because Atterbury pushes WBHO. They in turn push [A few words are not clear.] so hard (Alberto: Oh, okay.) and it's becoming a problem.

(Slight pause.)

Alberto: Um, and if amounts were spe, if amounts were specified, do you think that it would possibly free up cash flow by decreasing stock holding? So you'd be able to basically ...

Darren: Ja.

Alberto: Ja. Basically ...

Darren: If you trade as per vat with the lead time (Alberto: Ja.) then it would drop your stock.

Alberto: Mmm, yes, ja.

Darren: You know, so, so for instance, we've actually managed to achieve that, managed to achieve it with Safe Quip. Safe Quip has given me what they require up till next year February. (Alberto: Okay! All right!) If every guy gave me that, I'd make to that and now I've moulded all the stock (Tyron: [Tyron says something that is not clear.]) now I've got to make for a thumb suck figure based on past statistics (Alberto: Mmm.) of sales trends.

Alberto: Mmm. Do your three biggest customers receive beneficial pricing and credit terms?

(Slight pause.)

Darren: [Darren says something that is not clear.]

(Bernadette and Alberto laugh.)

Alberto: Um, would you foresee the visibility, as discussed, as a possibility to earn a return in the form of a higher turnover?

Darren: That's essentially what we're trying to drive because you can't look at it from a margin's perspective (Alberto: Ja.) because you going to try give the guy benefit on pricing but then you hope that it decreases your through put.

Alberto: Okay. Uh, similar to the previous question, if one of your three biggest customers wanted self [A few words are not clear.] attention in the form of faster delivery, would previsions be made for this basis on the relationship?

Darren: We've done it plenty, (Alberto: Mmm.) [A few words are not clear.] in the process like now, (Alberto: Mmm, mmm.) all that stuff you see outside is based on a relationship my dad [The rest is not clear.].

Alberto: Ja. And would you do the same thing for any other customer if they weren't a big customer?

Darren: Uh, I was actually just ...

Tyron: Um, no, if we don't know him, if, if we've dealt with him before, yes. If it's an out-of-the-blue guy, no. It's just how I ...

Darren: But, ja, you've got to actually also look at how much money it's going to cost you, (Alberto: Ja, no.) so, so ...

Tyron: There's other influences (Darren: Ja.) but to be simple yes/no, ja, [A few words are not clear.] ja.

Darren: And also the payment terms is a very, very good thing, so like for instance, we dealt with a company called [Name not clear.], did a nice R860000 job for them and because of the strike and their mismanagements, they were going to get kicked off site. We needed the

business and they were willing to pay 50 percent upfront, 50 percent on delivery. So we said, okay, (Darren laughs.) let's, let's ring the tail on this thing, and we did. We worked overtime and pushed hard but we took a huge risk because it was only on delivery, ja, so now you've worked this overtime and you giving it to them at cost (Bernadette: Ja.) but it, it worked out to our favour, um, but ja, we did it for somebody who we'd never done work for before.

Alberto: And it obviously puts strain on the organisation (Darren: Massive!) through your loss of margins (Darren: Massive!) [The rest is not clear.]. Okay. Um, is there a formalised system with dedicated resource for collecting information from customers and compiling it?

Tyron: Mmm. Ja.

(Bernadette laughs.)

Darren: I'm trying, ja.

Alberto: Okay, but it's here though, it's not ...

Darren: No, no, I'm starting ...

Tyron: No, no, there's not a formalised system (Alberto: Ja.) where we physically say, you know, diary that, there's a business rule that says we have to go out on that day.

Alberto: No, but there's no one, (Tyron: Ja.) there's no one here that does ...

Tyron: No. (Tyron says something that is not clear.]

Bernadette: You don't have a dedicated resource, so it's the managers that do it.

Tyron: Ja, ja.

Darren: Ja, sales ...

Tyron: Sales, we don't have a sales rep or anything like that.

Alberto: You guys are the sales reps. (Alberto laughs.)

Tyron: That's it.

Darren: You know what it feels like, studying as hard as you've studied and you've done what you've done, and then I put that box in my car and drive it, I'm literally selling a first aid box.

Tyron: Mmm.

Bernadette: Door to door.

Darren: Door to door.

Alberto: Would you describe your relationship with your three biggest customers as opaque, translucent or transparent?

Darren: Uh, opaque. So it's not like it's nothing but it's, you can kind of see a good silhouette there, you can get a good feel whether it's a man or a lady or whatever. So you know the customer. It might be a bit more, hey, maybe translucent.

Alberto: Mmhmm.

Tyron: I'd say translucent.

Darren: [A few words are not clear.] I think we're a lot more transparent than other businesses. Um, so ja, maybe opaque isn't the right one. Maybe Tyron's right translucent (Tyron: Translucent, ja.) even though that's a little ...

Alberto: So then, just to confirm, there is a level of transparency and (Tyron: Ja.) collaboration between you and your customers.

Darren: Definitely! (Tyron: Oh ja.) Definitely!

Alberto: Right, last section. Um, do, you guys obviously have fluctuations in the demand on your production.

Darren: Ja.

Bernadette: Ja, that was part of your risks that [Word not clear.] forecast.

Tyron: Ja. Demand variation in the lead manufacturing terms [Word not clear.].

Bernadette: Ja, you put forecasting as a high risk.

Alberto: Do you feel that knowing your customer's customer will help you guys in aiding demand? Enabling (Tyron: Ja.) is smoothing demands so ...

Darren: Ja! Ja, because then I would know that, when they truly need it. I don't have them just trying to squeeze me because I'm the manufacturer, to save him, then he can sit with the stock and it's fine, (Alberto: Ja.) at least he's job is done, (Alberto: Ja.) you know, that's what happens all the time. (Tyron: Ja.) If, it's fine, I'll let him be the guy but if I know he only needs it next week Tuesday I'd far prefer to just do the delivery on Monday instead of Friday, you understand? (Alberto: Mmm.) (Bernadette: Mmm.) Just even a day shifts everything.

(Slight pause.)

Alberto: Are you transparent with your supplier's ability to supply, you guys, with your customer?

Darren: We are but you also don't want to pass the buck, hey? So, so like now, we've got huge issues, it's costing me, (Tyron: We use ...) it's cost me R9000 in cold blood just in the last week on my raw material because I had to source it from someone else because they had the stock and the other guys couldn't get it here.

Tyron: But if it's a benefit to the, to our benefit in terms of lead times, we use it, I'd rather not give it away, um, because I can use it to do better resource planning. So, if all of a sudden I've got a, I'm having welding tests done, (Alberto: Mmm.) I've told my client already it's next Wednesday, and he's going to tell his clients next Wednesday, so everyone shifts. If I come ahead of time, it's going to screw up whatever I've planned, so you know what, leave it there, I'm not going to pass it on, even if I get a [Word not clear.], leave it, ja.

Darren: So I'm in the process (Tyron: Ja.) next week early there's an e-mail that will go out and it will literally just be thanking all my clients for their patience and while we endeavour to always hold stock to reduce our lead time, we've had to run it at 10 to 15 days just because we having a peace [A few words are not clear.] from a raw material point of view. (Alberto: Mmm.) And we just going to have to say thanks for, for their patience (Alberto: Mmm.) because it is what it is, we, we endeavour, as a business, to, to, to be this quick turnaround thing, you know, we are the manufacturers, um, but, unfortunately, since the strike we just haven't been able to, to, to build up the stock.

(Slight pause.)

Alberto: You guys, uh, you guys have answered these questions already but I'm going to ask them for the sake of the trans ...

Tyron: No cool.

Alberto: Um, do you understand the concept of visibility?

Darren: Definitely.

Tyron: Ja.

Alberto: Uh, do you think that transparency and collaboration working relationship would be beneficial if managed correctly?

Darren: Yip.

Tyron: Yes.

Darren: Ja, no ...

Alberto: You don't think that it's too much of a risk that you pass information, that passing too much information ...

Darren: But then there is a risk but you just got to manage it, you know, (Tyron: Ja.) management comes in and it's the right people, it's the right ...

Bernadette: It's the whole building of trust cycle.

Tyron: Ja.

Darren: So you've got to build it, (Bernadette: Ja.) you have to, you know?

Bernadette: So you share more as the trust grows.

Darren: Because, because the thing is you put yourself at a risk from a product and pricing, whatever you do, but you saving yourself, it's going to swing and they going to help you, so it's, it's a very, it's quite an interesting thing being a manager, a lot of it is give and take but it's also, it's, it's a huge amount of take the business, put it there. You giving me, I'm delivering. Now, you as a person, let me tell you about Darren, let me just tell you about Alberto, (Alberto: Mmm.) you know, and then, and then, all of a sudden, you connect on a human basis (Alberto: Mmm.) as opposed to just this business because, I think, there's been a huge drive to be very [A few words are not clear.] and you're a business and you're a cut throat and who cares and whatever. But if you actually take that and put it aside and say, you know what, you actually speaking to a person, you don't have to speak to me like a piece of crap, and then you get through to them. Some guys there's no chance (Alberto: Ja.) but if you do, then ja, you, you at a risk of that but you also saving, you risk, you, you risk mitigating in a lot of ways as well.

Alberto: Ja. Okay, and then, do you perhaps think that given the current, well, given what you've just said, um, that it already exists in your supply chain and if so, how far up and down the chain does it go?

Darren: I think on the construction side Tyron can say.

Tyron: Direct, direct supplier, direct customer. I don't think it goes, only on the sheet metal side has it gone that bit down to our suppliers' supplier. But as far as, ja, construction it's direct supplier, direct customer.

Darren: No but, uh, the direct customer in construction doesn't know how, a couple of the questions they know but in terms of (Tyron: No but, Darren, ja.) there being [Word not clear.] transparency, they don't know.

Tyron: But, I think, as a general yes or no, ja.

Darren: Ja. So first, first tiers are covered. (Alberto: Okay.) Um, there's a, on, on the sheet metal it's literally, we got second tier, first tier on your upstream, and then I've got even up to first and second tier on my downstream as well on some cases.

(Pause.)

Bernadette: Okay.

Darren: Just because guys are just starting to understand where I'm coming from (Tyron: Mmm.) especially in the, (Bernadette: Your modus oparandi.) especially the dispenser guy. He's a brand new customer and straight off the back he said, this is how we are. And I said, ja, but you can come in and you can do it direct, and I said, but I'm a steel guy, you the [Word not clear.] guy. I'm not going to, he literally is, he's Mr [Word not clear.], it sold 17 [A few words are not clear.] in the last 4 months.

Tyron: But at the same time you can cut your legs off if you not careful and that's where in Wane's business he poses a risk, is you supply after market industry that you can go to the direct customer but if you cut the middle man out, you, has ...

Darren: Biting the hand that feeds you.

Tyron: Ja, you biting the hand that feeds you but, to some degrees, when this guy, this middle man gets too greedy, (Darren: Then you can.) then you want to try and collaborate, build the, and then eventually just cut him out because you know what, he actually doesn't deserve the money. (Alberto: Ja.) He's, because he's got no, (Darren: Because that's ...) he sits in an office with a telephone and I kicked a, A to C Distributors, I'll mention names just, they came to, not, not to Nell (Alberto: Mmm.) because they do, they come with the odd work but why I mention the name is because in their name is Distributor. And all they do is they phone, and they phone guys who are prepared to do jobbing. Can you make this? Give me a quote. They ask me to do a quote, him to do a quote and him to do a quote. (Alberto: It's basically a [The rest is not clear.].) They get an order, they [A few words are not clear.], they pass it on. (Alberto: Ja.) I had a lady, almost in tears, on the phone because her bosses were jumping on her (Alberto: Ja.) to get this quote, get this quote, and I was almost just saying, no, I don't actually want to quote because why must you mark up my product (Darren: And that's ...) and pass it on and it was for 20 of them, for 20 of these items, I could have put R20000 turnover it would have brought, I maybe could have made R5000. I'm painting, just to give you an idea, I'm painting a little object for another company that is that 5, that same R5000 I'll make in half the effort and then that's what helps me think and you know what, the amount of effort, I'm investing all the intellectual property this, you are doing absolutely nothing. And in a nice way, I didn't tell her to, to bugger off, I just haven't got back to her, that's her supply, that's her product at the door that I kicked, (Darren: That brown thing.) as we came in, that brown thing at the door. (Alberto: Oh!) I'm still waiting for her to pick it up. She dropped it off. Can I make this? Yes we can. Can I have a quote by this date? Sit here, spend half my

morning, phone my suppliers to give me quotes that never come to fruition as a result of them phoning around and that's why I've just said, no. (Darren: Ja.) Not interested. And that was, that was a big pill I had to swallow in the beginning because I stuck to my guns in believing that I'm swinging this place from a jobbing environment and to have that phone call and we were desperate for work to just say, no. And then, all of a sudden, work flowed in here for construction and we wouldn't have coped to do that.

Darren: Ja, that little job would have stuffed us a lot of guys ...

Tyron: It would have screwed, Francois would have spent half his day on the floor ...

Darren: Because it's different processes now, [The rest is not clear.].

Alberto: Ja.

Tyron: Set up the machines. He's job is not to, he's a tech, he's job is technical but it's production management. He must not be a resource on the floor. And I've got to remind myself and remind him as well.

Darren: But also, uh, what's interesting is how importing, the ability to import has now made your customer your number 1 enemy as a manufacturer. He's enemy number 1.

Alberto: We see that on the [Word not clear.] pump side as well.

Darren: So essentially what's happened is I've had a guy, that same guy that threatened me about [Word not clear.] size, whatever. Now he, as soon as he can import, he will. So he's taken every, my capability and said, okay, thanks.

Bernadette: He just bypassed you.

Darren: Ja. But now, if everything goes pear shaped, what's stopping the manufacturer from saying, you know what, I can also stock pile [A few words are not clear.] I can also retail, I can get a service team up and running, I can do SABS [Word not clear.] ...

Tyron: Buy the factory next door and turn it into a warehouse and then import your stock in.

Darren: So, so essentially, ja, and when the, when the, the, well, Bidvest's model, please go buy supply chains.

(Slight pause.)

Alberto: And Famous Brands as well, ja.

Tyron: Mmm.

Darren: So essentially what, where does the power of that entire supply chain lie? It's in manufacturing. The person who actually makes the thing.

Bernadette: That adds the most value.

Alberto: Ja.

Darren: They add the most value. The other guys make the money but the value add is all sitting in the manufacturing. (Bernadette: [Bernadette says something that is not clear.]) And importing is [The rest is not clear.].

Tyron: And we hear my dad complain day in and day out about that and that why's a guy who's doing, holding the risk in holding the raw material for that period, processing it, sitting with the risk of making it, that stuff it up, (Darren: Having the brains to make it.) and the brains to make it earn probably the lowest margin.

Bernadette: Well, why do the engineers earn so little compared to the finance guys who make so much.

(There is then a discussion about this issue. There is also a discussion about credit.)

Darren: But thanks guys.

Alberto: Thank you very much. Thank you guys very much.

Bernadette: Ja, but thank you. 3 and a half hours of your time. Thank you so much.