



TRADE & INDUSTRIAL POLICY STRATEGIES

BLACK INDUSTRIALISTS CASE STUDIES

Flat-Foot Engineering

August 2022

The Black Industrialists Policy aims to increase the participation of black South Africans in operational management, rather than just financial ownership, of enterprises in key sectors and value chains. The programme was launched in 2015 by the Department of Trade, Industry and Competition, supported by the Industrial Development Corporation and the National Empowerment Fund.

The Black Industrialists Conference in August 2022 examined the impact of the Black Industrialists Programme and explored support measures to boost entry of black-owned businesses and producers into the mainstream economy. It also showcased the work of black industrialists. As an input into the conference, TIPS prepared nine case studies on black industrialists. Renee Grawitzky conducted the research and interviews, and TIPS provided the industry context and looked at the broader developmental objectives.

This case study profiles Flat-Foot Engineering, a mechanical engineering provider. Other companies profiled are: CapeBio Technologies; Easy Farm; Equal ELM Trading; Ikusasa Green; Microfinish; Pambili Media; PepsiCo ESOP; and Sindane Mining Ventures. Copies of the case studies are [available here](#).

Flat-Foot Engineering: mechanical engineering provider

Flat-Foot Engineering specialises in installing and repairing boilers, laundry and kitchen equipment, back-up power generators and autoclaves. It has grown from a one-man operation in 2006 to employ 70 people today, including a team of young black technicians and engineers. To give back to the community, it subcontracts almost a third of its turnover to emerging black-owned subcontractors as part of its Enterprise Development Programme. Flat-Foot has won awards for quality work and is working to expand beyond its base in the Eastern Cape.

Max Mabuti, who founded the company, says he was inspired by seeing black people start their own businesses. He recognised, however, that they were under-represented in engineering, so he decided to start a business in that space.

Mabuti grew up on a hardscrabble farm outside of East London, where he learnt some core values about family and community. From secondary school he was a boxer, even turning professional for a few years. A foundation that supported his community provided a full fellowship to Rhodes University, where he completed a degree in development studies. After working for various companies, including Sektor Engineering, Coca-Cola and Vodacom, he decided to embark on his own venture.

Some initial projects failed, but Mabuti persisted and in 2006 he registered Flat-Foot Engineering as an air-conditioning business. He focused his initial sales pitch on government agencies, where he thought he would get a more sympathetic hearing – showing the importance of the preferential procurement programme in opening up opportunities for black entrepreneurs who often face unfair barriers in the private sector. Mabuti landed up at the Mthatha Deeds Office, which asked for a quote to install five air conditioners. By that stage he had no money to purchase the units, so a friend offered to help him start his business and bought the air conditioners for him, at a price. But he couldn't get a bakkie, so he had to transport the air conditioners to the Deeds Office by wheelbarrow.

That first step led to a number of contracts, mostly in the public sector. As the business stabilised, he took courses in mechanical engineering so that he could engage better with his technicians.

Five years in, Flat-Foot hit a crunch. It had enough business, still mostly with government agencies, but its unpaid invoices began to pile up and Mabuti didn't know when the company would be able to pay up. To ward off insolvency, he approached sefa (the Small Enterprise Finance Agency) for assistance. The democratic government established sefa as subsidiary of the Industrial Development Corporation (IDC) to provide funding to small businesses and cooperatives, which often have limited access to formal financial institutions. It took the risk of granting Flat-Foot a R3-million loan, which the company paid back in record time. Mabuti obtained additional funding from a network of friends and contacts, who also provided mentorship.

Mabuti says Flat-Foot received invaluable assistance in building international partnerships and a global perspective from several government programmes. In 2016, it began to participate in the Department of Small Business Development (DBSA National Gazelle programme. The programme aims to provide holistic support, both financial and technical, to take high-growth small businesses to the next level. It facilitated invitations for Flat-Foot to overseas missions organised by government agencies, including the dtic and the DSBD. Flat Foot also benefitted from the dtic's Export Marketing and Investment Assistance Scheme (EMIA). The EMIA helps companies to market their goods abroad and to attract foreign investors, with a special focus on black entrepreneurs and small business.

Mabuti participated in a dtic mission overseas that led to an invitation to attend a three-month management programme in Germany. He found this programme invaluable, especially as it helped participants find companies to collaborate with. Mabuti found a company to partner with him in moving into Africa, although the COVID-19 pandemic set back his plans. “We had projects lined up in West Africa but they were all put on hold due to the COVID-19 lockdowns,” he said. “We are busy resuscitating those projects currently.”

To help deal with the pandemic, Flat-Foot received a government guarantee on a R1,9 million loan from Absa, which it is still repaying. This was part of a National Treasury programme, in collaboration with commercial banks, to help small and medium businesses with liquidity problems as COVID-19 led to shutdowns and loss of business. Mabuti also received working capital from the Eastern Cape Development Corporation and Eastern Cape government for R1,5 million. This support was critical in enabling a rebound in production in much of the economy.

Mabuti explains that a new business “cannot be centred on one person who is not held accountable”. He learned from his early experiences with Flat-Foot that emerging businesspeople have to set up proper systems with careful management of cash flow. He believes that “you need to build a business so that ultimately you are not necessary to its continued existence”. To succeed, business leaders have to share authority, enabling others to hold them accountable, and ensure compliance, especially if they want government support.

Mabuti feels that mentorship is crucial for emerging entrepreneurs, who need role models and advice to succeed. He is concerned that young people do not have strong role models of entrepreneurs who are building sustainable businesses. “I started this business from nothing,” he says, “not because of connections.” His advice to emerging entrepreneurs is that having a mentor is critical. As a boxer, he learned that one cannot do it alone – “for businesses to succeed, you need to have someone in your corner and a mentor has the ability to have a helicopter view of your business”. He argues that government needs to support long-term mentoring programmes, lasting years, rather than shorter initiatives. Aside from having a mentor, Mabuti says, entrepreneurs cannot be complacent; they have to remain focused. Building a business is not for the faint-hearted, he argues, saying that “boxing framed my life. In boxing, discipline is key. You must respect your trainer; you have to respect your club mates... It was good to learn this early in life and it come in very handy later in business, as I respected my mentor, I respect my team and I respected my business.”

Mabuti also noted the importance of government procurement in assisting emerging businesses to gain market access. It is hard for new companies, whatever their competencies, to find space among long-established market relationships. Government procurement is crucial to give new actors the chance to show they can deliver and grow.

Flat-Foot itself is passing on these lessons in practice. It works with a range of smaller suppliers to ensure they have business to get going. It also supports an NGO that encourages learners in the surrounding townships to take maths and science and generally to value education.

Trade & Industrial Policies Strategies (TIPS) is an independent, non-profit, economic research institution established in 1996 to support economic policy development. TIPS undertakes quantitative and qualitative research, project management, dialogue facilitation, capacity building and knowledge sharing. Its areas of focus are: industrial policy, trade and regional integration, sustainable growth, and a just transition to a sustainable inclusive economy.

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