

Consulting engineers need to embrace the cloud

Basic business principles and cloud-based technology platforms need to be considered if the consulting engineering sector wants to stay afloat. In amongst a myriad of issues, the industry suffers significantly due to a chasm between the actual costs of a project versus the fees derived from scales that are quoted to win business. Simon Berry, director, Fresh Projects, an online business management platform, says that it is critical that consulting engineers rely less on what is now a defunct fee-scale structure and rather find a new technology driven way to calculate appropriate fees.

“There are too many consulting engineers who resort to offering heavily discounted project fees against the fee-scale structure, without knowing the actual cost of the project. This effectively reduces profitability to unrealistic lows and makes for an uneven playing field. It is also dangerous as businesses make losses they are not necessarily aware of when quoting,” says Berry.

This approach has such significant knock-on effects and does not bode well for the future of the industry in terms of general business growth, overall profitability and skills development.

Understanding that there are time constraints when quoting and pressures to win business, Fresh Projects has developed a cloud-based business management solution that is tailor made for the South African built environment professionals. Berry says that it ensures the financial sustainability of businesses and assists in understanding the real costs of a project: “Using the system will immediately enable the business to control their profitability and will enable the engineer to have an accurate benchmark with which to work for future projects.”

Getting the costs right, according to Berry, is critical as the current trend of massive discounting will continue the downward spiral and result in massive damage to the industry and economy overall.

He says that work supply could already be at a dangerous low based on the near completion of projects that started post the 2008 recession: “We find it useful to use the civil engineering sector as a business barometer as they tend to lead the rest of the industry. Most projects first start with civil’s enablement work such as roads, water and sewerage. This is then followed by other services such as structural, electrical, mechanical and architectural.”

A significant drop seen in the civils sector, coupled with the fee-scale discounting issues will adversely affect the market. "Not only will there be less work, but the fees earned, based on uninformed discounting, will make it near impossible to declare any reasonable profits. This will not only kill an industry, but it also sends the skills within the industry packing."

Berry says in a plight to be more fairly remunerated many engineers move into other sectors or immigrate to get better salaries and growth opportunities: "This adds to an already acute skills shortage within the engineering sector in South Africa."

Adding to the uncertainty, he says that the competition commission has been investigating the fee-scale practice for the past five years, which was banned in the United Kingdom over 20 years ago: "It is becoming more important that professionals rely less on fee-scales and work out their fees from basic business principles using an online system that makes the process not only seamless, but easy, quick and accurate."