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Executive excellence in the SA construction sector

A wise man once said: "*It's happened often in my life that a crowd gathers to pelt a man with mud, and returns a few months or a few years later, and, finding him still in the same place, throw bouquets at him. But that, mark you, was because first and last he was standing in the right place*"

Last week Aveng announced they need a capital injection of R1.8bn from shareholders. Their current market capitalisation is R420mn, so this will result in a substantial dilution for existing shareholders who may not be able to or don't have the confidence to invest more money. This is an opportune time to reflect.

Carl Grim was the CEO of Aveng from 1998-2008. In 2007 he orchestrated the sale of their stake in cement producer Holcim at an unusually elevated peak of the cement business cycle in SA. It was a large transaction in monetary and relative terms. The cement and building industries were hot and flavour of the day - as a result he was widely criticised, eventually culminating in his resignation and emigration.

Today it can readily be evidenced that this sale was a brilliant tactical decision by an experienced construction sector executive. He foresaw that the cement industry was to become significantly over-supplied and vulnerable to aggressive competition by new entrants. Cement capacity and new builds are widely known well in advance, because of long lead times in bringing new capacity into production and public participation in environmental impact assessments.

This case study shows just how difficult it can be for an executive to do what is in the best long-term interests of a business, especially when it comes to the really big calls. That Carl Grim and his 2007 Board of Directors stuck to their guns despite the criticism and consequences of the decision speaks volumes of their insight, character and integrity.

Our work continues...

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