

Bricks and Boumat



I DEPARTED FROM ANGLO without anything in mind other than to gather my thoughts and take a few months rest before embarking on a new career, which with a growing family would soon be a necessity. In retrospect, this was probably foolhardy. I had however no sooner unwound than Irvine suggested that I talk to David Lurie, executive chairman of a medium-sized public company called Primrose Industrial Holdings, whose major asset was BRICKOR, the largest brickmaker in the Transvaal. David was an eccentric genius, and I took him at face value largely as he was a trusted friend of Irvine's, and Irvine had been a non-executive director on his Board for some years. We were both right about his being an eccentric genius, but unfortunately, as I became acquainted with the business, both Irvine and I discovered that he had a strange approach to corporate governance, quite apart from being a terrible administrator.

The company was in a mess with no direction, cohesion, lines of communication and authority. This was heightened by two facts – firstly, the executives who had been part of the old regime from whom Lurie and his partner, McLean, had snatched it, hated Lurie and sabotaged him; secondly, David's wife Etta, who had recently completed an MBL at UNISA, was in and out of the office and the brick kilns and was upsetting what little administrative normality there was.

I had to move quickly. The first step was to make it clear to David that there could be only one chief executive, and that his role of non-executive Chairman had to be clearly defined; the second was to establish working lines of communication and authority, including the establishment of an executive committee; the third was to try to begin to put some sense into a balance sheet and profit and loss account which Lurie proudly regarded as having been the subject of balance sheet architecture (his phrase).

He acquiesced fairly readily to all of this but it became evident that we were not destined to be a happy partnership and after about six months I told him that it was either him or me and that I was not prepared to continue in the long term with him.

At approximately this time we were the subject of a hostile take-over bid by Toncoro, the Tongaat brick-making subsidiary that had a monopoly in Natal, and was a major competitor elsewhere, and particularly in the Western Cape where a vicious price war had been raging for some time. They had correctly calculated that a take-over would cost less than the money they were losing in the Cape.

Lurie thought that he was secure because of certain options that were held by major institutions which he regarded as being pledged to support Primrose. In the event however, the institutions switched to support Toncoro, either because they did not wish to antagonise Anglo American which held a majority in Tongaat, or because of growing disenchantment with Lurie. There was a brief and unpleasant war and inevitably Tongaat was the victor. In retrospect it is unlikely that this would have been the outcome under today's Johannesburg Stock Exchange rules.

Lurie was immediately evicted, and Irvine and I were asked to remain on for a while in our respective positions. It was an awkward period, but fortunately I had not been involved for long enough to have been contaminated, and I was on excellent personal and business terms with the Tongaat people. I remained a Director for some time, until a company and Board re-organisation. It was all a salutary lesson not to get involved in a close business relationship with anyone that you do not know very well, but also a fascinating brief period in which I was exposed to an industry about which I knew nothing, but had to learn very quickly. Brickmaking is an interesting mix of technology, feel and art.

At the same time that I relinquished my position as Primrose CEO, Irvine had been looking at a major expansion of Boumat, of which he was Executive Chairman. He had built up, single-handedly, a unique group which held the major share of sanitaryware and brassware sales country-wide and a near monopoly in the manufacture of electric water heaters. He operated a one-man head office (plus a secretary) and controlled the group under a philosophy which allowed each manager to operate independently, often in direct competition with others in the wider group, and encouraged them to act as though the businesses were their own. There were of course problems, but overall it had worked superbly, and Irvine's approach had attracted a group of entrepreneurs who were rough, tough, independent, excellent traders – and very difficult.

Companies cannot remain static and Irvine had been eyeing the Incledon group, a country-wide, well-known organisation specialising in engineering supplies related to fluid movement, and thus allied to Boumat's interests. He made an offer which was accepted, and overnight Boumat was almost doubled in size and complexity. It was very obvious

that Irvine could not continue to run this now very large and important piece of the construction industry by himself.

Irvine and I had been close friends for many years and I had helped him found Boumat, of which I was, and had remained, a founding director. It thus seemed natural to both of us that I should join him, which I did in 1976 as Executive Deputy Chairman.

Our roles soon clarified. Irvine had a superbly innovative financial brain and became increasingly devoted to his computer. He was naturally reclusive and my arrival enabled him to withdraw more and more from daily involvement. On the other hand I was a good people manager, administrator and negotiator. We were a good team, and Boumat prospered despite a few forays into ill-advised acquisitions for which I was to some degree responsible.

I got on well with the Boumat managers, having a natural ability to mix in most circles, and managed to bring some order into the group's chaotic trading practices without disturbing the virtual autonomy that motivated them. I must confess however that Boumat never really filled me with creative joy. I recognise now that I am basically an industrialist. I feel comfortable and fulfilled in a role that creates things. I accept of course that trade adds value and is essential in our economy, but it gives me little satisfaction. I was thus drawn to Kwikot, the water-heater manufacturer, and its opportunities, to the acquisition of Citimetal, a highly successful venture, and perhaps was too easily drawn into other manufacturing adventures of which Glamosa, the glass mosaic producer, was an horrible example. There was again a lesson to be learned that both Irvine and I occasionally ignored to our cost; in an acquisition of a business successfully built up by its owner-operator, do not buy the business without the man who made it successful!

My 13 years with Boumat were overall fulfilling and successful. They involved ever-changing variety, constant travel both domestically and abroad, interaction with an enormous range of very different people, and involvement in frequent negotiations at top level with sellers, suppliers, customers, bankers, stockbrokers, etc.; a much broader canvas than was ever the case with either SAFI/Acme or Primrose or Moshal Gevisser.

However, what should have been a happy and fulfilling period was sadly soured by an increasing unease between Irvine and myself. I have no clear and firm idea of why or how this occurred and developed. At the outset Irvine, Hedda and I were almost inseparable. We went on holidays and cruises together, we saw one another constantly, we were the closest of friends. There are a number of possible reasons. Perhaps, at

a subconscious level, Irvine had begun to resent sharing the admiration of the business world. To be even-handed, he may have had regrets about his invitation to me to join him because of some poor investment decisions. I will never know. I asked him for an explanation on a number of occasions, but he always avoided an answer.

There had also been a sad tragedy in Irvine's life which affected him deeply and will always continue to do so. He has a son, Andrew who at the age of 21, much loved, was a strapping, handsome, happy, intelligent young man with a future about to open out for him. He was swimming at our jointly-owned holiday home, Ylang-Ylang at Sheffield Beach, and hit a sand-bank when surfing in on a wave. He became an instant quadriplegic, endured months and years of treatment, operations and discomfort with bravery, and today is confined to a wheel-chair but is leading as good and productive a life as is possible under these sad circumstances. He is a remarkable young man and has close affectionate links with all our family.

At the time of Irvine's retirement our relationship had become a remote business one. We consulted daily on business matters but there was no social contact whatsoever. He retired with Laurie to Franschhoek. The first time that Hedda and I visited him there was before John's wedding, some seven years later, (in 2000) – a very sad end to what was a warm and rewarding friendship.

It had been agreed that I too would retire as soon as a successor as CEO could be found, as I was fast approaching the usual 65 retirement age. I had been casting around for some time when, on holiday in Plettenberg Bay, I met a charming 40-year old ex-South African Harvard Professor whose speciality was "the management of change in a changing political environment". Adam Klein was related to family friends, knew the sons of the Boumat Chairman, Sidney Borsook, and was, on enquiry, generally recommended. He had, according to his own version, left S.A. as a political refugee and was keen to do his bit. He returned to Boston, was flown out to S.A. for intensive interviews with the Board which fell in love with him, and was hired.

As is now well known, this was a disaster. He began acting suspiciously very soon after his appointment and was caught out in an initially successful effort to transfer money to himself in Boston via inflated consultants' fees. Borsook, in an excess of zeal and without reference to me, had him locked up and charged. He spent a night in the cells, was bailed out and this started a year-long series of trial and investigations. I would have handled it very differently.

During this period I flew to Switzerland and America, discovered

a second scam, and tracked his doings and reputation in America. He eventually got off lightly with a suspended sentence and a fine, as a result of a deal done with a new acting Attorney-General. All of this is minutely documented in a 200-page document which I kept up-to-date on a routine basis. Adam Klein is currently in the U.K. having had a number of jobs, and is possibly still being chased by the mother of his illegitimate child for unpaid maintenance, and perhaps by others for unpaid debts.

I was outraged at the deal which had been done with the Acting Attorney-General. His predecessor, who had retired before finalising the Klein situation, was determined to jail him for a deliberate white-collar crime. A highly unusual letter from the Attorney-General's office, a copy of which is in my possession, leaves no doubt about his guilt.

Boumat, so lovingly nurtured and constructed by Irvine and me was placed, disastrously, under the care of accountants with little feeling for its people and its ethos. It was eventually sold, stripped and broken up. It no longer exists, but a number of its components thrive independently.