



THE BUSINESS OF PRESERVING WHAT MATTERS MOST

SIMPLIFYING BUSINESS RISK IN COMPLEX TIMES



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“Business as usual” has taken on an entirely new meaning.

In the past year we have gone from endless boardroom meetings to endless Zoom calls, smart business attire to ‘formal up top, slippers below’ and from trying to spend more time with our children, to trying to find a few minutes alone to complete important proposals.

Lockdown has squeezed many businesses to breaking point with SMEs being the hardest hit. Companies have had to quickly move all of their systems online while also dealing with the unexpected changes, regulations and interruptions brought on by the pandemic.

The economy is slowly opening up once again and we have begun the journey to recovery. However there are still a number of key concerns facing businesses in 2021.

At Shomang, we know that in these complex times, what managers and owners really need is some simplicity. We aim to simplify risk to help you preserve what matters most in your business. In light of that, we look to explain three of the year’s biggest risks to business and share insights on how to minimise their impact.



1

BUSINESS INTERRUPTION

Business interruption is a wide-ranging phrase and one that captures many different situations. It includes any disaster that results in a loss of income or operations for a company.

Almost every business has suffered some form of business interruption over the past

year and according to a global survey, this will continue to be the number one risk to businesses in 2021 and the second highest risk to South African companies. This means that companies cannot operate at or near full capacity, worsening the tough economic conditions that have been experienced recently.



Primary causes of business interruptions

- **Covid-19 pandemic;**
- **Cybercrime;**
- **Natural catastrophes and climate change;**
- **Political risks and civil unrest including strikes and protests;**
- **Rapid changes in markets.**

Even if these events don't directly affect your business, they can still have a devastating impact if one of your suppliers or customers experience them.

To help lessen the impact of business interruptions, there are a number of useful strategies that can be followed. These can best be summed up by the phrase:

"Preserving Optionality". As the term implies, Preserving Optionality is all about keeping your options open. It refers to planning for a range of future scenarios rather than assuming that the best-case scenario will occur. In an uncertain world that is changing so rapidly, this is an essential task.

¹ Study by Euler-Holmes that found that 94% of business experienced interruption as a result of the Covid-19 pandemic

² <https://www.agcs.allianz.com/content/dam/onemarketing/agcs/agcs/reports/Allianz-Risk-Barometer-2021.pdf>

³ Farnam Street Blog - <https://fs.blog/2020/03/preserving-optionality/>



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A. Review and Diversify



Take some time reviewing your business operations to try and identify key risks.

For example:

- a.** Do you have one large supplier for a good or service? Do you have an alternative to that supplier or can you split that supply between two companies? Is it possible for you to find a similar product from another company that will also work? Spend some time exploring these scenarios in detail and limiting the risk of any one failure in the chain;
- b.** Do you have one large customer? If they close down it could take your business down too, so try and find other customers. Think creatively about this problem and try to identify other clients or whole sectors that could benefit from your product. If all of your clients are gold miners and the gold price plummets, you need to be able to move into other sectors or industries to keep going. Do the preparation before the disaster strikes.
- c.** Put on your disaster hat and try and map out the most likely scenarios that pose the biggest risk to your business. What actions can you take to protect against those risks?

B. Business Interruption Insurance



This insurance protects your business against revenue losses during an unforeseen shutdown and should form part of your business insurance policy. It's important to note however, that there are two main types of business insurance :

- 1.** Cover for interruptions due to physical damage (such as a fire); and
- 2.** Cover that includes contagious diseases.

In light of our current global situation, make sure your policy includes the appropriate cover. This will provide important peace of mind and act as a safety net to limit losses.

Taking the time to address the above will not only help you build a more resilient business, but could even grow it in new areas.



PANDEMIC OUTBREAK

Covid-19 still poses a large and unpredictable threat to business operations. It has blocked supply chains and travel, isolated employees and caused many companies to either close their doors or change focus dramatically.

During these extraordinary times, there are a few important steps you can take to keep your business running:



Embrace a Distributed Workforce

We need to be prepared for 'distributed' workforces. 'Remote' working is the term that is more regularly used, but this brings to mind images of individuals working on their own with little interaction. Thinking and talking about it as 'distributed working' is more inclusive and makes people feel like they are part of a team.

Limit on-site work and where unavoidable employ strict regulations. The 'new normal' is here to stay so look into building a virtual office structure that fits your business. This will limit risks to employee health and safety, while creating a more flexible working environment.

Assess Your Exposure

Having a clear view of how the pandemic has and could affect your business will help you manage future risks.

Have a Plan

While it may sound dramatic, having an appropriate catastrophe response strategy in place needs to be a priority on every business's agenda.

Positivity for Productivity

While working from home improves employee safety, it can take a toll on mental well-being and affect productivity. After investing in training and upskilling your people, it is important to ensure they're able to continue to do their best work to help maintain and grow your business during this turbulent time.

Some actions you can take to effectively manage this are :

- Encourage leaders to check-in regularly with their team members;
- Communicate often, honestly and consistently;
- Consider moving to an online performance management tool to allow people to feel valued as they can digitally see the result of their work, and receive recognition from managers and colleagues;
- Share supportive mental health resources.

Adequate Financial Protection

Consult an insurance expert to make sure your business is covered for the complex risks associated with a pandemic.



3

CYBER SECURITY THREATS



Cybercrime is currently perceived by South Africans as the largest business risk factor in 2021. This should not be a surprise considering that South Africa has the third most cybercrime victims in the world, resulting in a loss of R2.2 billion a year.

The possibility of cybercrime has increased due to the pandemic, with distributed working acting as a double-edged sword.

On the one hand the office is accessible from home, but at the same time it introduces new risks. With employees connecting to work networks from personal devices, sensitive company information is more vulnerable than ever.



Data breaches and ransomware are the biggest threats in this space and businesses need to take urgent steps to limit these risks:

- Invest more. Currently cybersecurity investment is relatively low in South Africa and yet only half of small businesses survive cyberattacks. Considering the consequences, it's worth putting money into building a solid defence strategy.
- Educate and train employees. Ensuring that your staff understand the seriousness of the situation can help you avoid breaches.
- Generate a comprehensive security plan. This is linked to 40% better shareholder returns.
- As with business interruption, consider the prospect of Preserving Optionality in your plan by having strong systems, combined with multiple back-ups in various formats. The larger your business and the more important the digital systems or information, the more secure they should be.
- Cyber Incident Insurance

⁵ <https://hbr.org/2020/05/how-ceos-can-support-employee-mental-health-in-a-crisis>

⁶ <https://hbr.org/2020/08/8-ways-managers-can-support-employees-mental-health>

⁷ <https://www.accenture.com/za-en/insights/security/cyberthreat-south-africa>

HOW CAN SHOMANG BROKERS ADD VALUE?

While we have discussed 2021's leading risks, every business is different and has its own set of unique challenges. Shomang Brokers is a company with strong entrepreneurial roots so we truly understand this. We also know that while having comprehensive insurance is vital, the technicalities can be tricky to grasp—especially when you add in a pandemic and all its implications. That's why we are driven to simplify risk and provide much-needed clarity. Our experienced team can assess your company's individual risks and provide expert advice. With comprehensive knowledge of a variety of insurance products, we can also equip you with the right decision-making tools to build a sustainable business and ultimately preserve what matters most.



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⁷ <https://www.discovery.co.za/corporate/my-business-surviving-cyber-crime>

⁸ <https://www.willistowerswatson.com/en-ZA/Insights/2020/09/helping-clients-navigate-an-increasingly-complex-world>