

Recovery after the riots: How small businesses can bounce back from adversities/external shocks

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South Africa was recently rocked by the worst violence, riots, and chaos that has devastated the [business](#) community. An estimated 40,000 businesses were affected, costing the country about R50bn in lost output and endangering around 150,000 jobs.



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It is important to stress that the situation regarding riots and looting in South Africa is not a once-off phenomenon, because in the past few years, South Africa has witnessed rioting and looting as one of the reoccurring events happening in the country, which often left big and small businesses to bear the burden as they pay the price for the actions of angry citizens. The aftermath of the Zuma imprisonment has once again put immense pressure on small and big businesses that were already disproportionately struggling with decreasing revenue and dismal forecasts of earnings due to the continuing Covid-19 pandemic and lockdowns. The losses have had a devastating effect on particularly small businesses, which are typically not insured against damage during protests, and do not have much cash reserves at their disposal. Some small business owners' years of hard work and entire life savings were completely wiped out overnight, putting the reopening plans of some on hold and completely shutting down others.

Given that riots and protests are not unusual in South Africa, some people on social media have argued that South Africa is a volatile country when it comes to riots and protests, and that small businesses should have anticipated such risks and should have made an effort to obtain business insurance. A critical question to ask is whether all small businesses can afford insurance? In most cases we expect the answer to be 'no'. This is because small businesses operate under various difficult circumstances, such as liabilities of newness, smallness, poorness, and lack of access to external financing. Nonetheless, it is important to educate small businesses about the importance of getting insurance, especially any form of insurance that covers their core assets. But more importantly, what needs more insight within the South African context, is a critical discussion on how small businesses can minimise losses incurred during riots and bounce back from external shocks.

Many uninsured small businesses might not reopen unless government helps them

Depending on the extent of the damage across the different businesses affected during the recent protests, it could take up to 18 months to reconstruct the malls and for businesses to become fully operational again. This means that many of the small businesses might have to temporarily change their business location or relocate completely. The major problem with this strategy is the risk of paying double rent, both to the damaged mall as well as at the new location. The law does not provide for these SMEs to stop paying rent to the damaged mall, regardless of whether they want to relocate. In addition, most of the assets that these businesses had, such as furniture, equipment, inventory, and debtors, were destroyed. This is a double negative, which implies that they have lost almost all of the assets they could use as collateral to obtain loans from financial institutions, as well as having to replace these assets. Many of these small businesses that were not insured and have very little or no cash reserves may not be able to reopen their businesses, unless they receive assistance from the government. The South Africa government and the entire civil society have come out to condemn these barbaric actions, and have put in place [some measures](#) to redress the situation and bring stability to the country. As part of the recovery strategies, the government funds allocated to small businesses through its different departments, such as provincial development corporations, the [IDC](#), and national youth funds, should be used to provide interest-free loans to those small businesses that were profitable before the looting crisis. Government should also consider paying business rentals to the

damaged malls until these malls reopen. Tax incentives for some of these businesses for a certain period of time is another option to be explored. Likewise, unemployment funds should be made available to pay their employees until they are fully operational again.

Within the context of entrepreneurship, resilience – which is viewed as the capacity of the business to recover, survive, or grow quickly following a crisis – is one of the capabilities that small businesses can deploy. While small businesses are often regarded as less resilient because of their limited resources, this liability makes them more flexible and adaptable in the face of adversity. Small businesses can become more resilient and less vulnerable to crises by developing an anticipated and containment mindset. An anticipated mindset entails continuous identification of all possible problems and emergencies, while a containment mindset is about embracing flexibility and adapting when responding to crises (conceptual slack), developing capabilities to deal with losses, and making a commitment to resilience. Small businesses can achieve these mindsets by undertaking training in metacognitive awareness, which entails developing coping strategies to respond to uncertain events, developing adaptive thinking to identify and recognise opportunities in an uncertain and dynamic context, and changing responses and strategies according to changes in the environment. Small businesses can also develop resilience by investing in and building resources. These resources can range from social resources (e.g. support from networks of family and friends, business partners); economic resources (e.g. personal savings, stokvels, and financial institutions); and personal resources (e.g. self-determination, inner strength, adopting a problem-solving mentality, emotion regulation, and self-confidence). As a short- to medium-term strategy, the South African government – through its Ministry of Small Business Development – should partner with higher education institutions and private organisations to create nationwide workshops and seminars on how to develop resilience and overcome liabilities of newness, smallness, and poorness.

Small businesses are the panacea for addressing poverty, unemployment, and inequality

Small businesses should also foster cooperative relationships, as these have proven to help entrepreneurs overcome the lack of resources by sharing business resources (equipment, business space, and funds). This ultimately transforms competitive differences into potential growth opportunities for businesses. This is one of the most important business practices adopted by many immigrant businesses for survival. Those who need to start from scratch are encouraged to develop their businesses, using what they can create with the set of resources (computer, land, skills, money, car) at their disposal, no matter how small. Given that the future is unpredictable, instead of defining a specific plan to reach a goal/objective, such entrepreneurs should focus on what means are available to them now. Most successful entrepreneurs around the world – and particularly in Africa, where entrepreneurs are usually constrained by limited resources and support structures – will tell you that they started their businesses with very limited or only one resource that they had at their disposal. It might be quite difficult and painful to undergo the cycle again, so entrepreneurs should tap into their inner grit and remember that although they are starting from scratch, this time around they are wiser and more experienced, which will ultimately translate to higher achievements.

In conclusion, small businesses are the panacea for unleashing and addressing the triple problem of poverty, unemployment, and inequality that South Africa is currently facing. So, if the government is intentional about enhancing the creation, survival, and sustainability of small businesses, it becomes critical that they create an enabling environment that significantly minimises external shocks. The South Africa government should also put in place clear short- and long-term goals to address the causes and issues that give rise to riots and provide practical solutions to transform the country. The South Africa government should also partner with civil society and the media to spread awareness about the negative impact of destructions during riots and protests.

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