



opinion by Andrew le Roux



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Le Roux is chief business transformation officer of MMI Holdings

Corporate leaders need to formulate strategies to anticipate and deal with potential shocks

The recent changes in government and an enhanced expectation of consistent leadership and direction make it tempting to believe that our country and our region are entering a period of relative stability.

However, we're not out of the woods yet. We've come out of a period of policy uncertainty, ratings downgrades and currency volatility, but we have a new period of change to look forward to as we clean up abuses and seek solutions for education funding, land reform and water management, among others.

Dynamic change is perhaps the only constant we can expect – though the form it will take is not easy to predict.

Private sector companies should get used to uncertainty. While government may show signs of more ethical leadership and a renewed commitment to growth, emerging trends outside politics also present threats to businesses. Structural challenges such as inequality, unemployment and low economic growth don't have easy solutions.

Corporate leaders need to formulate strategies to anticipate these potential shocks and their ramifications if they are to future-proof their businesses for the long term.

SA's future shocks are likely to be

environmental as well as political. And as we see with the Cape water crisis, the two factors are often intertwined.

In response, scenario planning and risk management can predict crises, and suggest the levers with which to mitigate them. Whether making decisions in uncertain times or navigating shocks in the environment, strategies are available to protect the proactive business leader.

A reliable information-management system provides a monitoring and early-warning system. Emerging trends can be measured and tracked. Accurate, up-to-date metrics give an understanding of what is happening and enable risk-management strategies to be implemented timeously.

Of greater importance is understanding one's business purpose, strategy and business model. This means clarifying what the company does for clients, the means and the choices that make it competitive, and the variables that have an effect on profitability. As an example, rand strength represents a windfall for importers but not for exporters.

If and when a shock comes, management should face the situation head-on. The executive – and the board – should take the time to understand the issue and then respond decisively.

However, one should not act for the

sake of it. Doing nothing is also an action – sometimes it is the most courageous one. A robust business model should not require knee-jerk responses.

There are also opportunities in a crisis. To quote Warren Buffett: "Be fearful when others are greedy and greedy when others are fearful". Holistic crisis management will identify business possibilities that come from challenges, and one should intentionally pursue these.

One of the most valuable assets for a company navigating a storm is a workforce with confidence and a can-do attitude. A leader should never "waste a good crisis". When the chips are down, staff observe management closely to see whether they live the values they talk about. They also take comfort from leaders who communicate and are visible during times of uncertainty.

The various stakeholders of a firm should be engaged from the outset, both in terms of giving input and being assured that the situation is being handled. Consultation should not be an excuse not to act.

Crises and industry shocks will remain a fact of corporate life as we enter a new political dispensation. The companies that navigate these new waters best will be those that prepare for the storms and know how they will respond. **x**

