

Rise to the challenge

COVID-19 survival guide for SMEs

April 2020

RAIZCORP

Accelerating your success



**NATIONAL
EMPOWERMENT
FUND**

Growing Black Economic Participation

This booklet is the embodiment
of the will to triumph, and calls
upon entrepreneurs to embrace
President Cyril Ramaphosa's call for
South Africa to
Rise to the challenge.

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An excerpt from the Statement by President Cyril Ramaphosa on Further Economic and Social Measures in Response the Covid-19 Pandemic

*Union Buildings, Tshwane
21 April 2020*

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Our new economy must be founded on fairness, empowerment, justice and equality. It must use every resource, every capability and every innovation we have in the service of the people of this country.

Our new economy must open new horizons and offer new opportunities. Over the past month, South Africans have opened their hearts to each other.

Even at this moment when such great sacrifice is demanded of us, we look to a better future with optimism. Even as we find ourselves at a moment of great peril, even as great sacrifices are demanded, even as we dare not allow our vigilance to waver, we look ahead to a better future.

I have faith in the strength and resilience of ordinary South Africans, who have proven time and time again – throughout our history – that they can **rise to the challenge.**

***We shall recover.
We shall overcome.
We shall prosper.***

May God bless South Africa and protect her people.

”

Introduction

NEF JOINS FORCES WITH RAIZCORP TO HELP SMES SURVIVE THE COVID-19 CRISIS

As South Africa prepares to embark on "a gradual and phased recovery of economic activity" by implementing "a risk adjusted strategy" to lower the national lockdown measures from level 5 to level 4 with effect from 1 May 2020, the National Empowerment Fund (NEF) and Raizcorp have combined efforts under these troubled times to assist entrepreneurs mitigate the risks and challenges confronting their businesses as a result of the COVID-19 pandemic.

An incubation and business accelerator for entrepreneurs, Raizcorp executes enterprise and supplier development (ESD) programmes while promoting learning, growth and guidance for the sole purpose of creating profitable business solutions for emerging businesses. Through a joint initiative with the NEF, Raizcorp is equipping entrepreneurs with practical business survival tools for implementation during the current lockdown period.

Through the nine information brochures that make up this booklet and that were authored by Raizcorp CEO, Mr Allon Raiz, entrepreneurs are able to access disaster management strategies from the NEF's website, www.nefcorp.co.za and social media platforms, and apply the various guidelines to help stabilise their businesses. These include researching decision-making frameworks, scenario planning solutions, building an opportunity matrix, compiling resource lists, cross-functional teams, moving from contingency planning to live decision making and extending ways for providing value. Although COVID-19 is the common enemy, decisions will be unique for each business. Entrepreneurs must find a balance while still maintaining productivity levels during the national lockdown and recovery period.

Mr Allon Raiz, CEO of Raizcorp and former NEF Trustee, says "entrepreneurs should be constantly on the lookout for opportunities. Some may be hare-brained, some may be brilliant, some may require investment, some

will produce cash quickly while others will take longer to show rewards. As an entrepreneur how you respond to each opportunity, which to prioritise and how you are going to sequence each will determine the survival of your business."

"This patriotic and dynamic partnership with Raizcorp compliments the work the NEF is already doing by providing concessionary loans to black enterprises involved in the manufacture and supply of healthcare products and those that produce food to help the country triumph above the coronavirus pandemic. Already, many businesses across the country are in distress, and we believe that the nuggets of wisdom contained in these information resources will go a long way towards inspiring new ideas and novel paths for bolstering business continuity and saving jobs," says NEF CEO, Ms Philisiwe Mthethwa.

It is the hope of the two institutions that as entrepreneurs strive to keep their doors open, these brochures and podcasts that are on the NEF website will help them make the right decisions to ensure durability and safeguard the livelihoods of their employees. Nationally and globally, big companies and small businesses across all industries are faced with the same set of challenges. Taking the best cause of action should be top priority for all entrepreneurs as the country forges ahead to neutralize the economic downturn presented by COVID-19.

The result of a patriotic partnership between Raizcorp and the NEF, this brochure combines nine advisory articles for SMEs confronting the challenges brought about by the COVID-19 pandemic, the outbreak that has sworn mortal terror and destruction across the World.

This booklet is the embodiment of the will to triumph, and calls upon entrepreneurs to embrace President Cyril Ramaphosa's call for South Africa to **Rise to the challenge.**

1 Get to rational quickly

By Allon Raiz



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The scale of the national COVID-19 lockdown is unprecedented in living memory. The repercussions – personal, professional, national and international – will reverberate for years to come. As entrepreneurs, we need to be making the right decisions for right now to ensure that our businesses and our people's livelihoods do not become another casualty of the virus. In this series of articles, Allon Raiz, CEO of top business incubator Raizcorp, shares his views and insights on weathering the storm and even thriving after it.

People follow quite predictable patterns during times of crisis, usually starting out in a state of denial and then moving on to a state of anger and blame. In these heightened times, these states can act as a vortex that holds entrepreneurs back from making important decisions that will determine the life or death of their businesses.

As an entrepreneur, the important thing to do right now is to force yourself through these two natural states quickly and get yourself to a place first of acceptance and then immediately afterwards to a place of rational thinking.

Unlike most crises, the one thing the COVID-19 crisis has done is to level the playing field; nationally and globally, big companies and small companies across all industries

are faced by the same enemy. There is no one to blame. Now, it's about taking the right action for your business. And the right action in these situations requires a huge amount of mental focus and processing power.

Although COVID-19 is the common enemy, the decisions we each have to make in our businesses are unique. As entrepreneurs, we are going to have to balance compassion with survival. We are going to have to balance decisions about surviving the next 21 days with decisions about surviving the next 21 years. We are going to have to balance decisions about cutting functionality in our business with the requirements for post-COVID-19 functionality. And all of this in a general state of panic, of hyper-communication and fake communication.

There is a great deal of noise at the moment which makes it incredibly hard to hear the "signals" but we have to sift through the noise so we can hear them when they come. When we do hear signals from our particular markets – signals that relate to both the now and to the future – we must ensure that our businesses are in a position to take advantage and to mitigate risks accordingly.

You can only do this with a clear head and a framework that allows you to assess the situation in the best possible way. We will discuss how to design an opportunity framework in the next article. The main thing now is to practise getting perspective.

I don't think there are many people out there who have experienced something of this magnitude before; most people in the world are grappling with this. There is no experience base to which we can turn except previous historical crises. People going through these crises had to learn to get rational and gain perspective quickly or find themselves swept away in the negativity and hopelessness.

So how do you practise perspective? How do you become rational sooner? Here are a few simple yet effective tools to help you do just that:

1. Cut down your social media time to half the average of your peers. Knowing which celebrity just contracted COVID-19 does not change anything in your life. If you can cut down by more than 50%, try that too.
2. Dress for work. Act the part of a rational entrepreneur. Shave if you normally do, put on makeup if you normally do.
3. Regularly walk around your garden or any area available to you and notice how normal it looks. The trees, grass and birds are oblivious to what is going on and are carrying on being trees, grass and birds.
4. Give yourself thinking time of at least 45 minutes twice a day, and have a blank piece of paper and a pen to write down any thoughts that surface as you allow your mind to wonder.
5. When you hear the words "COVID-19" or "coronavirus" train your mind to replace them with the words "Think and act rationally". Just as you have started to become reflexive about hand washing and hand sanitising if you touch a stranger, so too should you become reflexive about mentally reminding yourself to be rational when you hear "COVID-19" or "coronavirus". Be COVID-19 rational and coronavirus rational. You get the point.



2 Building an opportunity matrix

By Allon Raiz



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In the first article of this series, I spoke about the importance of entrepreneurs reaching a state of rationality as quickly as possible so that any business decisions taken during this time of "system shock" are measured and considered. Now, more than ever, we need to be listening for market signals and ensuring that our businesses are primed to both take advantage of opportunities and to mitigate risks.

You should be constantly on the lookout for opportunities: some may be hare brained; some may be brilliant; some may require investment; some will produce cash quickly while others will take longer to show rewards. How are you going to decide which opportunities are real, which to prioritise and how you are going to sequence them?

In my opinion, building a decision-making framework or matrix is the most important thing entrepreneurs can do right now. Because we are still largely in the dark about how things are going to play out in business and the economy, you need a framework that will allow you to assess the situation and each potential opportunity clearly and objectively. Notice that I am talking about opportunity mindset. This does not mean you should not be highly conscious of the risks right now. However, we will discuss that in a subsequent article.

A few years ago, I wrote an article called "Fly your business using instruments, not sentiments" which I think is even more relevant today. In it, I talk about pilots who navigate their aircraft using Instrument Flight Rules or IFR. Because IFR-rated pilots rely on factual data from onboard instruments, they are permitted to fly at night and in conditions of poor visibility.

What does this have to do with your decision-making framework? It's simple. Over the next few weeks you

will be inundated by opportunities – those that you have desperately or calmly conjured in your head, and those that are brought to you by other people. Which ones do you pursue first? How much time and how many resources do you allocate? Without a framework to help you make these decisions, you are bound to make poorer decisions in a time where sentiment – both yours and the market's – are distant from fact.

Bear in mind, though, as with all things in a fluid time, your decision-making framework needs to be constantly iterated as new datapoints present.

To build your framework, my advice is that you create a table of columns with headings such as: Time to realise; Investment required; Size of opportunity; Actions required, etc. Give weightings to each of these columns then insert each opportunity in your tool to give you a score. Sense-check the rankings relative to your view of what the sequence should be. Over time you will add and subtract columns and change weightings until the tool begins to settle into one that represents your reality. Don't make the tool too cumbersome or you will begin resist using it.

A rational decision-making tool such as this, which is specific to your business, will help you to think through your decision-making in a more considered way and, as you practice with your decision tool, you will become quicker and quicker at making necessary decisions. The upside is that because of the high volume of decisions you will be making in the coming 21 days, you will build up a huge amount of experience and habit around this new way of thinking and decision-making which will, no doubt, serve you positively in the days beyond COVID-19.

3 Scenario planning

By Allon Raiz

Following on from my previous two articles about the importance of reaching a state of rationality quickly and building out an opportunity matrix, the next step is to build out four or five scenarios that are possible for your business.

The scenarios you should be planning for should be fairly generic in their construct. Firstly, try to list the direct factors that are likely to occur and that will have a significant effect on your business – both in a positive and a negative manner. Do not just list the negative factors. Take your time to tease out at least two or three positive factors, ideally more, that will impact your business. Don't stop until you find these and are able to list them. Build up at least fifteen impact factors and write one factor per single small sheet of paper.

Once you have your impact factors, then arrange them in combinations that could possibly occur. Like domino tiles, drag four or five of these factors out in a row and try to imagine what impact that particular combination will have on your business. Do this for at least one hour until you settle on four or five scenarios that you think are the four or five that are most likely to happen. Always include at least one positive impact tile in each scenario.

Name each scenario and then begin to anticipate the impact that particular scenario will have on your business, both positive and negative. Then, based on that impact, decide what defensive and offensive moves you need to make in order to mitigate against the risk and take advantage of the opportunities it might present.

What would be the cost of those moves? What would be the timing of those moves? What would be the sequence of those moves? What would be the cost of not making those moves?

Once you have played out all four or five scenarios and understood the moves for each one, look for commonalities across the scenarios in terms of required moves. If you have at least three of the scenarios requiring a common move, defensive or offensive, then that is the move you should begin to take. Some of the moves can and should be pre-emptive and some should be prepared for a trigger event. Decide on the type of moves you need to take per those two categories.

In a system shock, there is much not understood, there is much information that is not revealed, and so you must keep running these scenarios daily or more often as more information becomes available to you. In a system shock, there is almost always an aftershock that behaves differently to the shock, and this aftershock needs to be anticipated as well in the scenario planning. Ideally the moves you make are sufficient for the shock and the aftershock but, if not, then you will need a different strategy for both. This will require more resources and sufficient time to think. In an ideal situation you would have a team to think through each but, in these times, both are scarce. I implore you to think through the aftershock as much as the initial system shock, as it is as lethal and harder to anticipate. Any head-start will give you a higher probability of surviving and hopefully thriving.



4 Building an exploded resources list

By Allon Raiz

After you have built out your opportunity matrix and planned out various scenarios, as discussed in the previous two articles, you need to shift your focus to your resources. I am not talking only about the obvious resources but also what I like to call "shadow resources." Shadow resources are things that you have available but that you may not previously have seen as resources or, if you have identified them, you haven't found ways to use them properly.

In my book, *What to Do When You Want to Give Up*, I talk about a time in my business when I was experiencing the toughest of times. I was desperate for cash, was deep in debt, had a business model that was not working, and was at my wit's end. I decided to sit down and brainstorm every single thing and every single person who I could possibly think of as a resource. This exercise alone was beneficial because it illustrated to me just how much I did have. By the time I had finished writing down every conceivable resource, I had a list of 242!

I have revisited this technique during this COVID-19 system shock, and have found it even more valuable this time round. I urge you to do the same exercise. You can choose your own method but what worked – and continues to work – for me is writing each resource on a sticky note and papering a wall with them to create an expanded or exploded list. Your thinking here regarding the resources needs to be both linear and lateral, in other words, you need to view everything at your disposal as a resource. Assets such as a car, computer or phone are fairly obvious but what about things like your education or your life experience or the skills imbedded in your team?

The next step is to sort your resources into categories. As an example, these categories could be your skills, your team's skills, your network, your physical assets, your relationships, your clients. Having categorised your resources, you need to step back and start thinking more broadly about the potential uses of each one. I call this "exploding your resources." For example, if you have a computer with internet connectivity, you also have a telephone system (online calls), a conference centre (Skype, Zoom, Teams, etc.) and a broadcast system (webinars or live events). The same is true of your car. It's a vehicle that gets you from point A to point B (well, perhaps not at this time) but it could also be a delivery vehicle to transport goods from point A to point B, etc., etc.

Finally, you need to think of the inverse of your resources. For example, if you have listed your current clients, you also need to consider all the clients who have previously rejected you as a potential market. I call these the MFCs – the Middle Finger Club members, those who gave you the middle finger. At first glance, MFCs may not seem an obvious resource. They may not have previously been interested in your product or service but what about now? Perhaps a supplier they chose over you is now experiencing delivery problems or have dropped their service levels.

Opportunities, scenarios and resources work together in a circular way. The more resources you have, the more opportunities you can explore and the better you can understand all the scenarios you have built out.



5 Creating a small list of big questions

By Allon Raiz



When I was a young man, I approached my mentor, a dollar billionaire, with a big question: "How do you make money?" I was expecting a long series of sit-downs to take me through the intricacies of how to make money. Instead he answered with this: "You make money by asking the right questions. If you know what questions to ask, you will know where to find the answers. So, spend your time learning to ask the right questions, and that will lead you to a path of building wealth."

To be honest, those words were lost on me at that age. I never quite understood how profound his answer was at the time. I was expecting an answer that detailed concepts such as market arbitrage, and an alternative view on supply and demand curves. So, I would ask him the question in a different way, and every time he would revert to the same answer: "Learn how to ask the right questions."

I finally embraced his answer and then spent many years trying to hone the skill of asking the right question. After 30 years, I am still in my opinion a novice at this, but my skills improve ever so slightly every year. My questions become better designed, and as a result the answers are richer and more valuable.

So, what does it mean to ask the right question? Consider these three questions:

1. Who is my target market?
2. Who is my target market, and what defines them as my target market?
3. Who is my target market, what defines them as such and what would make them leave their current supplier?

Answering the third question would take more time than the first two, but its answer would contain much richer and more valuable information for you to execute a strategy on. The third question could also be finessed further and further. Each finessing of the question should make it exponentially more powerful. For example:

4. What is the most lucrative segment of my target market, how is that defined and why would they leave their current supplier?

This would be an even better question. True, one can argue that it's actually a series of questions, but that's completely acceptable as long as the question is focused and valuable.

So, what has all this got to do with COVID-19? To ensure that you are able to consider the right opportunities, to anticipate better where the market relating to your particular business is moving, and to put in place the right moves to de-risk or take advantage of these moves, knowing what questions to ask is critical.

Choose a few well-thought-through questions to provoke your mind into anticipating the opportunities and threats that are less obvious, that are not visible to the average mind's eye. Spend hours thinking about the questions and then, like the other elements of your "war room," write down each question on blank A4 pages and stick them up in a place that is prominently visible to you as you sit at your desk.

The second-last step in the process is to give yourself time to think. Stare blankly at the questions. Let them swirl around your head. Let your mind wonder off. Don't try to control your thoughts. Do that again and again. I even go as far as reading the question out aloud and then asking myself, "So Allon, what's the answer?"

And then, at 03:21 or 04:53 in the morning, the answer pops up and a rush of adrenalin kicks in as you begin to express the stream of ideas that begins to pour out of your mind.

Finally, the last step is to refine the ideas over time into an actionable plan to launch yourself out of the COVID-19 system shock you find yourself in, into a place that provides you with the highest chance of success.

6 Embrace your X

By Allon Raiz



According to current statistics, there is an approximately 60% probability of all citizens on planet earth contracting COVID-19. Whether it's early on or later in the curve, according to the experts, that is the probability. It is therefore prudent for you, as the leader of your organisation, to plan for the probability of contracting the disease yourself.

We all know the importance of leadership in any context, and particularly in a business. During a crisis, strong leadership is even more critical. Should a business leader be afflicted with COVID-19 and be unable to think cogently or communicate well or even at all, this will leave the small business rudderless and leaderless. For small businesses that are probably marginal at best and already battling the current economic tsunami, this may well be a fatal blow.

It is therefore incredibly important for entrepreneurs to plan well for this possibility or, as the statisticians claim, this probability.

Who will do what while you are man or woman down? What is your plan? What is the sequencing of your plan? Who will have authority to do what? Who will have the ability to sign contracts? Who will have the ability to make payments? Et cetera, et cetera.

Entrepreneurs live in risk and, as such, have developed coping mechanisms to deal with that risk. A positive and optimistic demeanour is one of those mechanisms. Some entrepreneurs – especially the ones who have been consistently successful (or lucky) – might have developed a “bullet-proof” attitude, and are most likely therefore to resist even the idea that they might form part of the 60% who contract COVID-19. This reluctance to accept the statistical probabilities is exactly the opposite of what is required right now. Planning for the worst and steering the business for the best is a more prudent approach. For this reason, the most important thing you can do right now is to “embrace your X” (X being your

functional replacement during a time you might not be effective or operational). Once you embrace your X, all sorts of possibilities and options begin to open up for a more sustainable future.

You need to sort out all of these things now, and not as you realise that your throat is scratchy and you sit nervously awaiting your COVID-19 test results. The time to act is NOW!

Once you have built out your plan (including all your delegation of authority), it's important to convene your management team if you have one – and if you don't, then the balance of your team – to have a frank and honest discussion with them about the plan, communicating what each and every person is required to do should you, as the leader of the organisation, contract the virus. It is important that you take questions from your team during this time. My suggestion is that you have these meetings or discussions more than once in order to normalise the situation as much as possible beforehand. (As an aside, this is exactly what I have been talking to my exco about for several weeks.)

Your plan should be written down, and it should be administered by someone you have identified as your second in command to take over should you be taken ill. The concept of a country's vice-president is very appropriate here. If the president is not available, his or her vice acts on his or her behalf.

This situation is also reminiscent of the soldiers in the trenches during the first world war who gave their friends instructions about who to write to, or who to return keepsakes to, should they not return from an assault on the opposing trenches. The probability is high that you will come back but it will be while you are away that these instructions and directions will count most. Any loss of leadership and direction during the crisis may well mean life or death – not for you but for your business.

7 Cross-functional teams

By Allon Raiz

The scale of the national COVID-19 lockdown is unprecedented in living memory. The repercussions – personal, professional, national and international – will reverberate for years to come. As entrepreneurs, we need to be making the right decisions for right now to ensure that our businesses and our people's livelihoods do not become another casualty of the virus. In this series of articles, Allon Raiz, CEO of top business incubator Raizcorp, shares his views and insights on weathering the storm and even thriving after it.

In my previous article, Embrace your X, I discussed the importance for the leadership of entrepreneurial businesses to make comprehensive contingency plans against the possibility (or perhaps probability) of the leadership contracting COVID-19, and its implications on decision-making in the organisation. The same holds true for everyone in your organisation.



Although the COVID-19 pandemic has intensified the need for cross-functionality of people and their roles in small businesses, at this point, I would like to iterate that this is a practice that should be applied at all times in all business contexts – especially in smaller businesses that are constantly iterating and evolving.

Very rigid roles in small businesses mean rigid and restricted possibilities for the business to create new solutions. In times of crisis, you want the most flexibility possible. The ideal situation is to have a highly cross-functional team so that, should anyone leave or become sick (in this case by contracting the COVID-19 virus), other team members are able to pick up their work – even if it's not at the same level of efficiency. The important thing is to ensure continuity of all functions within the business.

A huge amount of planning and documentation is required in order to do this successfully. It's really not a good idea to start thinking about these things only when the crisis happens. "Who knows how to do Mike's job?" is not something you want to be shouting when Mike sends in his sick note. Mike's role should be known and documented, along with who else in the organisation could potentially carry out all or part of that role.

An important item to include in your planning is a handover process, in other words, a handover document that clearly outlines how the different aspects of the role operate, along with other critical information such as the contact numbers, passwords, etc. needed to function in the role properly. You also need to ensure that any and all material on which Mike is working is not sitting on his computer at home but rather in the cloud, on your company server or some other format that can be easily and immediately shared.

Efficiently managing cross-functionality is hard work but the consequences of having vital roles missing in your handover process could mean that your ability to deliver to your clients is impeded or prevented, and the inability to deliver perfectly and on time in these times might well prove to be a fatal blow to your business.

In my opinion, it will be very much worth your while to accelerate your understanding of cross-functionality and map it out comprehensively so that you are fully prepared for the probability of one or more of your team leaving or falling ill. Ideally, you need to consider (perhaps with the formation of a dedicated internal task team) the absence of more than one person in a particular department and plan what you would do in such circumstances. If you can get to that point, you and your business will be in a much better position to survive the COVID-19 system shock.

8 Moving from contingency planning to live decision making

By Allon Raiz



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The scale of the national COVID-19 lockdown is unprecedented in living memory. The repercussions – personal, professional, national and international – will reverberate for years to come. As entrepreneurs, we need to be making the right decisions for right now to ensure that our businesses and our people's livelihoods do not become another casualty of the virus. In this series of articles, Allon Raiz, CEO of top business incubator Raizcorp, shares his views and insights on weathering the storm and even thriving after it.

In a normal context, business threats are pretty much understood and often even clichéd. But in an environment like this, in which threats are highly systemic, many are unseen or unknown and, more importantly, they are fluid. In other words, what is not a threat today could become one tomorrow and vice versa. For this reason, you have to consider and reconsider your threats daily, and try to understand as much as possible both their impact and their mitigation.

Usually, you would look at threats in terms of their probability of occurring and their impact to the business should they occur. The probability and impact would normally be organised into three levels – low, medium and large (high). If a threat you have identified has a low probability of occurring but a very high impact should it happen, it would be worth mitigating since it could prove fatal. Conversely, if a threat has a low probability of happening as well as a low impact, you would naturally prioritise it lower than a high probability-high impact threat.

Because there is a cost to mitigation (and mitigation resources are normally inefficient until they are required) and because resources are scarce, businesses need to plan which mitigation plans they will put into place and which they will not. COVID-19 adds an additional level of complexity because money is becoming scarcer and the probability of something awful happening is becoming exponentially higher. This means that every decision needs to be even better considered and more accurate than previously. However, the current situation means that there is far less time and data to make decisions, while the environment remains incredibly unpredictable.

Let us take a hypothetical case. You have plotted your business and know all the critical processes, all the critical functions and all the people related to these. During the COVID-19 pandemic, you have changed from low to high the probability of one of the people in a critical area leaving. Prior to this pandemic, you had contingency plans in place. If one person left a critical area, you most certainly had someone to replace him or her. But what if both those people contract COVID-19 at the same time and are forced to be at home?

The risk to the business is a function of what is actually happening, and in what sequence it is happening. And because there is no way to predict the sequence of events, there is no way to be fully prepared. The only alternative is to monitor the reality on the ground every day, and make decisions there and then based on the information that is available to you at that point.

In times such as these, where the ability to predict, plan and carefully mitigate is almost impossible, we need to consider a different framework. The framework consists of three time periods: chaos, crystallisation and predictable certainty.

Chaos

As this system shock occurred, the world entered a chaotic state. All the rules went out the window, and people began to act in a far less rational manner than previously. Toilet paper hoarding, oil prices in the negative terrain are all indicators of a chaotic environment. In chaotic times, the framework used in decision making is: How do I save money (now); How do I make money (now); and How do I protect what I have (now)? Decision making is instant based on very little information. There is (erroneously) little to no thinking about the future ramifications of decisions. Every decision should go through the very crude filter of those three questions. We prioritise the present over the future during chaotic times, and prioritise cash over profitability.

Crystallisation

A few weeks to months after the system shock has occurred, new patterns begin to emerge. Islands of certainty begin to emerge like volcanoes out of the ocean. Still hot, fluid and in the main inhospitable, these islands will become the new solid land of the future. Enter them too early and you risk burning. Enter them too late and you risk others already occupying the space. Timing and positioning on your newfound volcanic island are everything.

Decision making in the crystallisation phase is about two things: How much of what I have in terms of resources and core competencies can I use (reuse) in this new territory? And, what is the rate of change of the reality in that particular position on that island? In other words, is it still too fluid and too early to enter?

Predictable certainty

Although we all know there is no certainty in life and in business, markets, over time, form highly predictable conditions that allow one to make more accurate predictions – at least for a while until another system shock occurs. Hopefully the next system shock will not be to the global extent and intensity of this latest one. But there will be another system shock, and the rules will once again no longer act in the manner you once predicted they would. Humans are pattern seekers. It is a survival instinct. And so, no matter the knowledge that the current uncertainty is not going to be indefinite, we will once again begin the work of building a complex set of interdependent rules that allow us to operate in a context where we can gain a level of control.

And it is in this phase that we once again will build our risk models of high, medium and low probability, and high, medium and low impact.

9 Extend the ways in which you provide value



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The scale of the national COVID-19 lockdown is unprecedented in living memory. The repercussions – personal, professional, national and international – will reverberate for years to come. As entrepreneurs, we need to be making the right decisions for right now to ensure that our businesses and our people's livelihoods do not become another casualty of the virus. In this series of articles, Allon Raiz, CEO of top business incubator Raizcorp, shares his views and insights on weathering the storm and even thriving after it.

Opportunity is created through identifying a requirement for value addition in the market (based on the demand created from a need or want) and then either producing that value directly or acting as an agent for arbitrage, in other words, bridging that value between the manufacturer of the value and the consumer of the value. To put this in COVID-19 terms, it's the difference between manufacturing hand sanitisers and masks or trading between a market that requires (demands) hand sanitisers and masks and the manufacturer who supplies them.

In times of system shock where, prior to the shock, you may have done business in one of these two formats – producer of value or arbitrage of value (making or trading) – it's important now to open your mind to doing both.

Manufacturers may want to consider opportunities to trade goods or services that they don't manufacture to their current client base, while traders might want to consider creating value by starting to manufacture products or services for opportunities they have uncovered within their networks and client base. In "normal" times, entrepreneurs are usually either completely or predominantly a manufacturing entity or completely or predominantly a trading entity, but now is the time to consider being both. As a business owner, you should be looking at your current clients through the lenses of both manufacturing and arbitrage to see if there are other potential opportunities available to you. Once you have identified those opportunities, you also need to look into your broader network to identify more clients for your newfound opportunity.

Let's use the example of a funeral home. With the number of people allowed to attend funerals being severely limited, the funeral home may look into filming funerals so that mourners do not have to be physically present. They may develop a new division or functionality that provides camera people, equipment and editing services in order to create a video package of the funeral, in other words, manufacture a new service. Additionally, they do not need to confine themselves to filming only funerals. If they are providing filming and editing services for funerals, they might want to consider new product opportunities within their same client base. For example, producing video material for weddings, baptisms or other events. Once they are in the business of producing these videos for their current client base, the next obvious step would be to provide them to an external market.

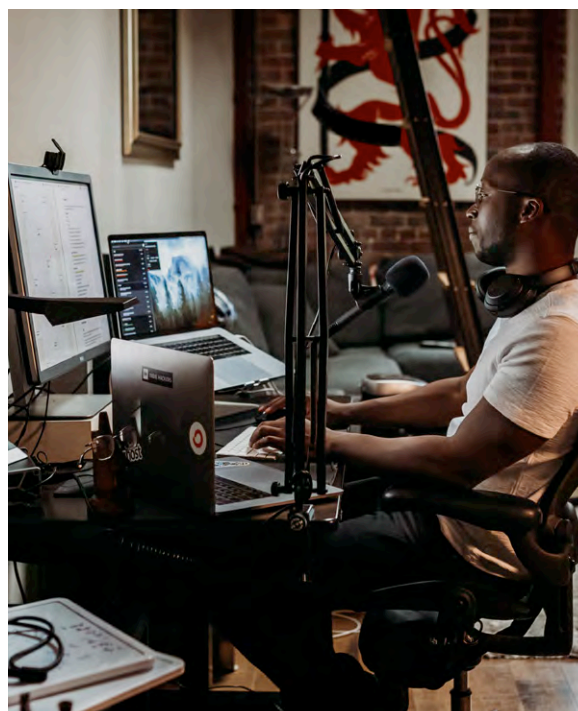
The examples above are about the production of new value. To illustrate the idea of moving from production to arbitrage, let me share with you the story of my family's business that made rain and garden umbrellas. When it became apparent in the 1990s that it was cheaper to import rain umbrellas than to manufacture them, my parents imported a standard range of rain umbrellas for their clients, and manufactured only advertising umbrellas locally owing to the requisite quick turnaround time requirements. Once they built the supply chain for rain umbrellas then they began to import other products like barbecues and mosquito repellent and sell into the same retail market that was buying umbrellas. My parents' business was both in manufacturing and trading.

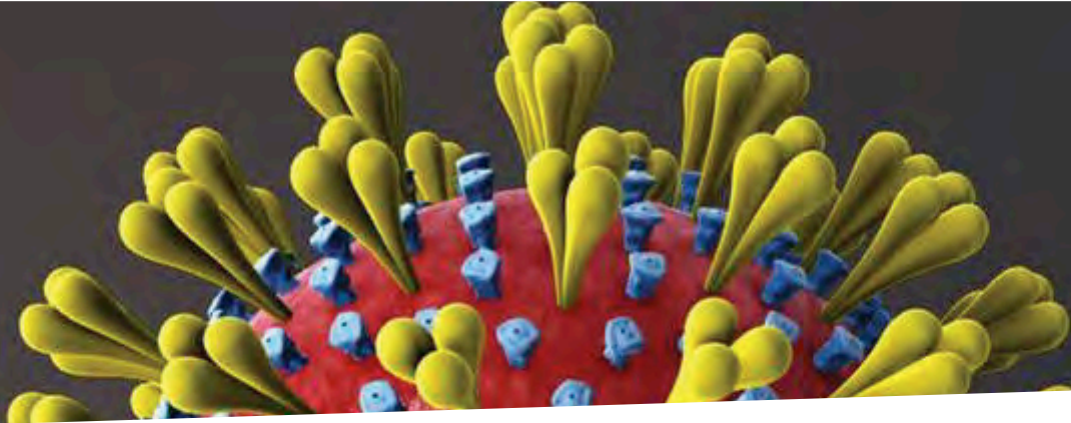
I am a big proponent of ensuring that you use the business's core competencies as a base for pivoting your business. No more than twenty per cent new competency is my rule of thumb. This ensures that the business does

not overextend itself from a resource, time and money point of view in the creation of something new. The important thing is that the business is not constantly starting afresh and paying the cost of the learning curve that is imbedded in developing a new core competency. The idea is to use as much of the core competencies you have in place to create a new product for the same or a new market. In this example, the core competencies are a relative constant, and the products and market are the variable.

However, there is another way to look at this in terms of saving energy and saving the cost of mistakes and inefficiencies. You can keep the market as a constant and make the core competencies the new variable. In the example above with the funeral home going into the video production business, the market is the constant but the core competence is the variable (developing the new internal competency to create video material). The big question to ask in this market approach is: "What more does my customer need or want, and how can I fulfil that need whether through manufacturing that value or trading that value?"

In a time of system shock, when resources are scarce, it is important to get the most out of what you have and to increase the number of opportunities available to your business to make money. Opening your mind to being both a manufacturer of value and an arbitrage of value opens up the number of opportunities available to you at the moment. Doing that, and concurrently toggling between using the same core competencies but a different market and creating different core competencies to create new products for the same market, opens up your opportunities even more.





NEF COVID-19 BEE Fund

Funding of black SMEs for up to **R10 million** per applicant with a 12-month repayment holiday

Covid-19 Emergency Funding Intervention

As South Africa intensifies the fight against COVID-19, the global pandemic that must be defeated, the Department of Trade, Industry and Competition (dtic) in partnership with the NEF call upon black businesses to come forward for funding geared at supporting the manufacture of various medical supplies and the production of food.

- **R200 million** has been set aside under the COVID-19 Black Business Fund as a blended facility for SMEs that manufacture and supply **Identified Priority Products** to access concessionary loan funding.
- **Salient Features of the Fund:**
 - Limited to R10 million per applicant for working capital, machinery and equipment;
 - Up to 12 months payment moratorium at 0% fixed interest rate;
 - After 12 months a fixed interest rate of 2,5% will apply;
 - Maximum term is 60 months, including moratorium, and
 - First drawdown must occur within 1 month from approval date.

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Funding Criteria

- Be a registered legal entity in South Africa in terms of the Companies Act, 2008 (as amended); the Close Corporations Act, 1984 or the Co-operatives Act, 2005.
- Be a taxpayer in good standing with a valid tax clearance certificate at assessment as well as before the loan is disbursed.
- Be a current and registered supplier with retailers and other institutions in good standing or have a purchase order/ contract/ letter of intent.
- Require working capital or funds to purchase machinery and equipment.
- The fund WILL NOT service any pre-existing debt or help settle monies owed.
- Have greater than fifty percent (>50%) Black shareholding and management control. Must be directly involved in the day-to-day running of the operation and must have requisite expertise in the sector. Owned by black South Africans as defined by the Broad-Based Black Economic Empowerment (B-BBEE) Act.
- In line with the NEF's transformation mandate, preference will be given to applications that demonstrate meaningful black women ownership, management and control.
- Have a project with a minimum requirement of **R500 000** in working capital, machinery and equipment.
- Must result in retaining or increasing direct jobs.
- Submission of all relevant documents for commercially viable applications.

Fund's Identified Priority Products

DISPOSABLE PLASTIC GLOVES
AND FACE MASKS



DISPENSERS (WATER,
SANITISERS AND SOAP)



MAIZE MEAL



PCR TEST KITS FOR
CORONAVIRUS



PROTECTIVE RESPIRATORS



FLOUR



DISINFECTANTS AND ALCOHOL-
BASED WIPES



TOILET PAPER



YEAST



MEDICAL PROTECTIVE CLOTHING
AND OVERSHOES



STEEL BEDS FOR HOSPITALS AND
CLINICS



SAMP



HOSPITAL LINEN AND CLOTHING



MATTRESSES AND / OR SPONGE



BEANS



PROTECTIVE GOGGLES AND
PROTECTIVE HOODS / FACE SHIELDS



STERILE AND UNSTERILE



COOKING OIL



PLASTIC MOULDING AND
BOTTLING / PACKING



MILK



FISH AND CANNED FOOD



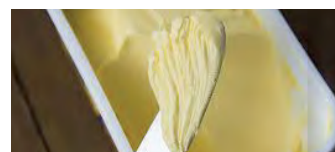
HAND SANITISERS AND SOAPS



FRUITS: ORANGES, NAARTJIES, LEMONS (VIT. C)



MARGARINE AND BREAD SPREAD



DETERGENTS / CLEANING PRODUCTS



EGGS



CHICKEN



DISPOSABLE APRONS AND CUPS



WATER



BABY FOOD



VEGETABLES:

YELLOW VEGGIES



POTATOES / SWEET POTATOES



CABBAGES



SPINACH



MOROGO



TOMATOES



BEETROOT



CORN



Required Documentation

Constitutional documents

- Declaration on BEE status and size of business.
- NEF application form ([accessible on NEF website: www.nefcorp.co.za](http://www.nefcorp.co.za)).
- Summary of production in the last 3 months.
- Copy of the historical financial statements (up to 3 years if available).
- Signed copy of the contract, purchase order or letter of intent from the applicant's client/s.
- Financial forecast for the duration of the contract, order, or letter of intent. The forecast should include income statement, cash flow statement and balance sheet for the duration of the funding.
- Additional information that would be necessary to enhance the application may be requested by the NEF as and when deemed necessary.



About Raizcorp

Celebrating its 20th year in 2020, Raizcorp is, according to The Economist, the only genuine incubator in Africa, which provides full service enterprise and supplier development programmes that guide entrepreneurs to profitability. Raizcorp has created "Prosperation™" – its own unique, world-renowned model of business incubation. Founded in 2000, Raizcorp has become Africa's premier business incubator model. For more information, visit www.raizcorp.com.

About Allon Raiz

Allon Raiz is the CEO of Raizcorp. In 2008, Raiz was selected as a Young Global Leader by the World Economic Forum, and in 2011 he was appointed for the first time as a member of the Global Agenda Council on Fostering Entrepreneurship. Following a series of entrepreneurship master classes delivered at Oxford University in 2014, 2015 and 2016, Raiz has been recognised as the Entrepreneur-in-Residence at the University of Oxford's Saïd Business School.

Follow Allon [@allonraiz](https://twitter.com/allonraiz) on [Twitter](#), [Instagram](#) and [LinkedIn](#).

About the NEF

Established by the National Empowerment Fund Act No. 105 of 1998, the NEF is an agency of the Department of Trade, Industry and Competition (*the dtic*) and is mandated exclusively to grow black economic participation in South Africa through the provision of financial and non-financial support to black-owned and managed businesses, as well as by promoting a culture of savings and investment among black people. Since operational inception in 2005 the NEF has approved in excess of R10 billion for black-owned businesses across all sectors of the economy, supporting in excess of 100 000 jobs countrywide. The development financier has earned recognition for its vast spectrum of expertise inclusive of online business-planning support, deal-structuring for maximum benefit to black entrepreneurs and industrialists, investor education, entrepreneurial training, business incubation, enterprise and supplier development, rural and community development, growing township economies, mentorship support as well as turnarounds, workouts and restructuring for distressed businesses.

FOR MORE INFO, PLEASE CONTACT:

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TO REACH THE NEF COVID-19 BEE FUND

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🌐 www.nefcorp.co.za 🐦 [@nefcorp](https://twitter.com/nefcorp) 📺 National Empowerment Fund