GOPM 521: Operations Management Group Project

TITLE: Covid-19 and the impact it has had on the business Pienk Pilletjies Pty (Ltd).

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Submission: 23 October 2020.

Version: Group Project

Research proposal for the dissertation submitted in partial fulfillment of the requirements for the Post-Graduate Diploma in Business Management at the Potchefstroom Campus of the North-West University

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Introduction

It is within this study, that the local business, Pienk Pilletjies will be analysed in a means of the impact that the pandemic of Covid-19 has caused during its prime. A literature study will be conducted to effectively explain the influence that the Coronavirus has had on South African businesses, such as Pienk Pilletjies. It is within the method, where the research questions identified are discussed and applied via the relevant research obtained.

1.1 Background

Pienk Pilletjies is a proud Potchefstroom brand amongst homes and businesses, which has obtained substantial market share in the cleaning supply industry. Pienk Pilletjies supplies a wide variety of essential products, cleaning chemicals and supplies, brush-ware, health amenities and paper products (Botha, 2020).

The business' prime objective is to trade in cleaning chemicals and other basic essentials, that will provide their clients with the necessities in keeping their surroundings and living environment a clean and hygienic place (Botha, 2020).

<u>The Problem</u>

The outbreak of the Coronavirus/ Covid-19, reached South African borders on the 5 of March, 2020 (Mkhize, 2020). By March 27th, the government announced a national lockdown that strictly took place with immediate effect (Harding, 2020). It was then when the government decided to take precautionary measures in order to avoid a historic catastrophe. Many micro- and macro businesses were forced to close their doors for the purposes of the lockdown levels implemented.

Fortunately Pienk Pilletjies was classified as a basic essential product store that stocked bounteous amounts of hygienic products, such as sanitizers and protective gear (masks, face shields and hand gloves) (Botha, 2020). This meant that the business' doors could remain open and provide their products to the rest of society in need.

With the impact of Covid-19 however, Pienk Pilletjies still underwent a few problems:
<u>Imports:</u> According to business owner Ronald Botha (2020), Pienk Pilletjies was able to supply their products to clients, until certain products depleted.

Pienk Pilletjies was unable to order and receive the necessary chemicals from their suppliers, as provincial and international borders were closed - not to mention, additional businesses that were out of business at the time. This impacted Pienk Pilletjies' inventory, sales and production cycle negatively.

<u>Lost business:</u> Due to the impact of Covid-19, Pienk Pilletjies lost a number of transactions from schools, universities and businesses, (their main investors) which in turn influenced Pienk Pilletjies income and expenses to the contrary (Botha, 2020). Pienk Pilletjies had to rely on Potchefstroom based clients and other essential retail stores that depended on Pienk Pilletjies' hygienic products.

1.2 Problem Statement

The Coronavirus negatively affected South Africa's economy in terms of workforces and businesses. Be it micro- or macro- businesses, the effect remained extensive. Pienk Pilletjies is one of the surviving businesses that was impacted by the adverse pandemic virus. Pienk Pilletjies' main problem was the inability of ordering and receiving products from their suppliers and additionally lost important clients due to the effect of Covid-19.

<u>Research Questions :</u>

1. What risk management factors should Pienk Pilletjies have forecasted for the unexpected pandemic?
2. What can Pienk Pilletjies do to recover the impact of the Coronavirus pandemic?
3. What should Pienk Pilletjies do /or have in place if an unexpected occurrence were to happen again?

1.3 Literature Review

When the Covid-19 pandemic hit, chaos arose and the effects of such a large scale pandemic on organizations were still unknown. Months went by until it was evident that it was a serious matter. Many organizations closed their doors or had to retrench a sum amount of employees.

The effects of the pandemic were felt less by those providing essential services, but it still had a severe impact.

Covid-19 forever changed the way in which customers go about shopping, the pandemic led to changes in the imports attitudes and behaviours of customers and their shopping methods (Johnson, 2020). The pandemic in turn fundamentally changed how and what consumers buy, which in turn changed the consumer goods industry.

The changes in the industry lead to lost business and this affected every single organisation out there. This forced organizations like Pienk Pilletjies in the direction of new and improved ways of digital commerce (Jhonson, 2020). This means that retailers and other organisations started using “contactless” pick-up and delivery services in order to keep doing business when the customers want to stay at home.

An article published by Person & Zwane (2020) found that 76% of South African businesses reported a loss, while 4% of businesses closed permanently and 19% of businesses remain temporarily closed even at this stage. The worst affected businesses are the macro enterprises who were only allowed by lockdown legislations to operate at 14% capacity, and small enterprises that could only operate at 17% capacity (Person & Zwane, 2020). This emphasizes the extent of the effect that the pandemic has had on organizations.

The other major aspect that the pandemic negatively influenced was the import industry. Organisations and businesses such as Pienk Pilletjies made up a third of South African businesses who were affected by the import and export restrictions (Kamer, 2020). Businesses similar to Pienk Pilletjies that trade in chemicals and foreign products need to import products from suppliers cross provincially.

The South African Government decided that in order to keep us all safe, there had to be restrictions on trade set in place. The South African borders were to be closed with immediate effect and that meant that no organization could import or export products, chemicals or commodities other than the basic essentials.

Among the long list of issues caused by the pandemic are payroll cuts. With organisations across the region suffering losses, employers are unable to compensate their employees. This concedes organizations with only two alternatives: payroll cuts or retrenching employees in order to survive (McDonnald, 2020). The first would ease the effect that the pandemic has on the organization at hand, but will damage employee quality of life as they suddenly have less income. The latter would ease the organizational effect drastically, but would lead to the already high unemployment rate to climb even further.

The pandemic caused a volatile and unpredictable economy that could go up or down at any stage. South Africa had one of the highest infection rates and toughest measures to contain the virus, but despite the measures put in place we could still see our GDP plunge to 8% this year (Benson, 2020). With 54% of households already being pushed out of their former jobs, and falling into poverty business strategies will have to be implemented all over to prepare for what the future might hold (Benson, 2020).

If this worst case scenario would come true and the GDP were to drop below 8%, this would mean that over 80 000 South Africans would lose their jobs and could lead to mass poverty. This will roll over to businesses because when the customers' money dries up there will be no money to spend at businesses.

While the pandemic and its damaging effects are on standby, South African organizations across the region are in a flat spin as to what could possibly happen next. If predictions by Singh (2020) are true, South Africa could expect a second wave of outbreaks from December. If this were to happen, businesses that haven't fully recovered, or those who are rarely making it, will add to the statistic of organisations having to shut down by force. Poverty, economic crises, reinstated lockdown and large scale unemployment will be the effect and all are bad news for organizations.

Schwartz, Hatfield, Scoble-Williams and Volini (2020:2) suggested that there are certain steps that an organization can take in order to minimize the effects of the challenges brought on by the lockdown related legislation. In order to recover from the challenges brought on by the legislation organizations should understand the need for and the required mindshift that they must undertake.

Organizations should identify and navigate the uncertainties and challenges that they might face. Organizations should also emphasize the importance of trust within the organization as it will act as a catalyst that ensures recovery for an organization. Organizations should review and clearly define the organizational destination, goals might drastically have changed as a result of the difficulties that are brought on by lockdown.

Finally organizations and management should be willing to learn from others during these periods of extreme organizational uncertainty. The crisis brought on by lockdown is a phenomenon like no other and there is no definite way for an organization to handle the situation, as such organizations should aim to learn from the successes of other organizations.

It is clear that organizational recovery is possible and that there are certain general guidelines that will increase an organization's survivability. Pink Pilletjies should thus aim to establish and follow certain guidelines to ensure organizational growth and sustainability during these challenging times.

With businesses like Pienk Pilletjies relying on imports, we all hope that the second wave never hits. This part of the study merely emphasized the importance of implementing a solid business plan to prepare for the possibility of a second wave. It's better to prepare the employees and managers with the correct skills and strategies to make a stay afloat.

1.4 The Method

As of now, we clearly noted that the current pandemic, the COVID-19 crisis is not going away any time soon. It is predicted by a few health practitioners and scientists that South Africa could expect a second wave of outbreaks by December. Therefore we as operation managers have to focus on our production plan, this intensive focus on our business production and distribution will also ensure that our company will remain stable, because of the fact that our cash flow will be protected.

With the outbreak of an unforeseen pandemic such as the CoronaVirus, businesses could not have prepared and calculated the risks accompanied by such a catastrophic situation. There are however a few methods where a business such as Pienk Pilletjies could have focused on, to ensure that their production plan was secured in place and therefore they're cash flow protected, this will ensure business growth and also a gap in the market.

Since the virus is focused on unhygienic zones, owing to the fact that it is mainly how the virus is transmitted, a hygienic environment will deplete the growth of the virus. Pienk Pilletjies is thus an organisation that fulfilled the criteria in producing the essentials of hygienic products and chemicals that managed to aid in the containment of the virus.

As a result of the businesses that closed during the lockdown period, Pienk Pilletjies was unable to maintain their desired production plan. The research questions that have been identified throughout this study, will assist in the evaluation of the methods that should have been implemented before and during the outbreak of the virus.

What risk management factors should Pienk Pilletjies have forecasted for the unexpected pandemic?

Risk management can be described as the practice of pinpointing and identifying potential business risks in advance, interpreting them, attempting to prevent them from occurring again by following precautionary steps, diminishing consequences when they do occur, and recovering afterwards (Berard & Teysssier, 2017:4).

Perez (2020) argues that there are five steps in risk management that any business should aim to follow, namely: identify the risk; analyze the risk; evaluate the risk; treat the risk; monitor the risk. It is not a hard task to identify this risk, which can be described as the Covid-19 pandemic. Once the risk has been identified, it should be analyzed by determining what effects this risk would have on the company and its current endeavours, and its target market of consumers. The Corona virus has forced many consumers to lower their spending capacity, leading to the decrease of profit for many organisations. When evaluating a risk, each outcome can be ranked according to its likelihood of occurrence (Perez, 2020) - in this case, the occurrence of a pandemic forcing businesses to shut their doors during a given lockdown period. After steps one to three, it is pivotal to treat and monitor the risk by either using the risk to a business's advantage or ensuring that measures are put in place so that they are not surprised when the risk transpires.

No one could have predicted or forecasted the occurrence of Covid-19, but Pienk Pilletjies should have put measures in place to ensure that they would not be caught off guard by any situation that could restrain them from conducting business as usual.

Furthermore, to determine what risk management factors a business such as Pienk Pilletjies should identify, we first have to shift the mindset of a business entity from today to tomorrow (Renjen, 2020). In other words we have to expect the unexpected. Henry Kissinger said *“The historic challenge for leaders is to manage the crisis while building the future.”* This statement taken into consideration, combined with the necessary risk management factors and forecasts identified, will most certainly empower a business to a bright future.

There are four underlying bases of all business decisions when it comes to forecasting: *Production, Inventory, Personnel and Facilities.*

The *production* forecast within a crisis will be one of the most certain factors that can be projected. Pienk Pilletjies' customer base was negatively affected by the lockdown restrictions, but this can improve during a lockdown period for instance, by trading nationally and in doing so, contactless. This means selling to essential services, such as farming industries and food processing plants via an online retail store and using contactless delivery methods.

Inventory can be a problem and it certainly was a problem for Pienk Pilletjies, due to the fact that many of their suppliers couldn't supply them with their essential hygiene products, a great deal of the products are imported and therefore out of reach. One of the solutions for a problem relating to inventory management is to focus on opening a warehouse, where a backup inventory will be stocked up. This will help improve the production plan and in return will help the business grow because the cash flow will be secured during uncertain times.

Personnel: With the COVID restrictions in place, businesses were restricted to employ their whole workforce. In the case of the unforeseen pandemic, better personnel management can be achieved by creating shifts. This will avoid unwanted retrenched personnel, although the salaries will be affected by payroll cuts.

Facilities: When implementing the national restrictions, a company such as Pienk Pilletjies can focus on online based facilities to avoid the spread of the virus. The online retail of customers will ensure the personnel's safety as well as the client's safety. Furthermore they can improve their delivery services, which will ensure that contact will be avoided during the purchase and delivery of the products.

All of these risk management factors will help improve a business such as Pienk Pilletjies, and may also help neighbouring provinces as Pienk Pilletjies should consider to expand their hygiene services.

There are different types of forecasts that should be considered when determining the future. Economic forecasts: This addresses the problems relating to the business cycle, how will a decreased inflation rate affect our business? With the current inflation rate decreasing it can help business due to the fact that the interest rates are lowering, therefore employee wages do not have to increase. But on the other hand consumer price level lowers, this means that the business will be negatively affected due to the fact that customers will have to pay less which will result in a lower cash flow.

Technological forecasts will predict the rate of technological progress, in how technological aspects will have an impact on the business itself during a pandemic such as COVID. Making use of technological advancements will help protect the quality of life during the lockdown period. What is meant by this, people can shop online without the risk of getting infected, employees and board members can attend virtual meetings without the risk of getting sick.

Demand forecasts focus on the prediction sales of the current products and services. When considering a business entity such as Pienk Pilletjies, all of their products and services will be much needed and are much needed in a pandemic such as COVID-19, because it will ensure a more hygienic environment.

What can Pienk Pilletjies do to recover the impact of the Coronavirus pandemic?

It was absolutely inevitable for Pienk Pilletjies to experience a setback during the global pandemic, but they can, however, control the manner in which they recover from it.

According to Perez (2020), the best strategies in order to recover from an unexpected risk are the following:

- Reduction: this involves reducing the impact of the risk by inducing small changes. One of the changes that Pienk Pilletjies could make is to change a few of their products or incorporate new ones. They could, for instance, add high volumes of alcohol to their soap and alter the ingredients to develop a sanitizing soap, valuable during this time.
- Sharing: this strategy distributes the burden of a risk between multiple parties. Pienk Pilletjies could potentially team up with other businesses that have also been impacted by the pandemic in order to boost both organisations' sales, having a positive impact on the business in the long run.

- Retention: the final useful strategy in recovering from risk damage is to assume the loss entirely, and to adapt to the changes without adopting a negative attitude about it.

Pienk Pilletjies must re-evaluate their business goals and decide which strategies would be most fit to re-establish their business after this major setback.

In addition, according to (Hearn, 2020), there are a few short term actions that can be followed to address the risk concerning supply chain management and disruption within the business to also ensure business growth and help increase the national economy. Because of the change that the pandemic has brought upon our world, the economy has altered dramatically and therefore few have to expect the unexpected every single day.

This can be evaluated by the statement mentioned by the ninth Secretary-General of the United United Nations, Antonio Guterres:

"The recovery from the COVID-19 crisis must lead to a different economy."

This indicates that organisations will have to change the way they think and how they want to impact the economy. Here are a few short-term actions to help improve the Supply Chain Management, to secure recovery after the pandemic according to the published article by (Hearn, 2020) .

1. As previously mentioned organisations have to use the technological advancements to help improve and support working environments. With the current workforce restricted to a certain percentage, IT systems can help lighten the load of online activities. Quick actions have to be followed to ensure that customer's needs should be adhered to, during uncertain times.

2. Pienk Pillletjies as a business should focus on cash flow. This is an important factor when considering business growth during hardships, when people are being retrenched and when masses of businesses are terminating. The government has also released an emergency fund to help low interest loans for small and medium sized businesses. This will also help businesses secure every cent and ensure that any necessary money will contribute to a continuing cash flow.

3. With international borders being closed during the lockdown period, importing certain essential hygiene products was inaccessible. Therefore Pienk Pilletjies has to focus on alternative sources of supply to ensure that the supply chain will not be broken down. Pienk Pilletjies should focus on alternative quality suppliers within South Africa, to ensure that their customers' needs will still be fulfilled.

4. One of the best recovery tactics to survive the pandemic is to ensure that a company such as Pienk Pilletjies are able to move quicker than their competitors, be able to see a gap in the market and take up the biggest share in the demand, they must also consolidate their relationships with their most reliable customers as well as ensuring some new customers.

<u>What should Pienk Pilletjies do or have in place if an unexpected occurrence were to happen again?</u>

Any business must ensure that their risk management strategies are permanently up to standard and can prepare the business for any setback. Pienk Pilletjies must ensure that they learn from this pandemic, since such an occurrence can arise at any time.

Pink Pilletjies must guarantee that they adapt to the current situation and that they make the best of the circumstances. No business can predict the future, but it is crucial that they put every single measure in place that can possibly reduce the impact of future potential dangers.

Having the correct risk management strategies can potentially lead to the success or failure of Pienk Pilletjies.

According to Renjen (2020) A business seized within an unforeseen situation should address the problem during the course of the operation. Renjen describes it best by saying *"fixing the plane while it flies".* Unfortunately the current pandemic has rewritten the rules. It is thus fit to say that an organisation should not address the problem in mid-air (where it is unsafe), but rather rebuild the plane according to the new prescribed rules. That way one will never be ruled out.

Conclusion

As evident within the evaluated study composed, Pienk Pilletjies is a micro organisation that makes up a third of South Africa's affected businesses; where imports and exports play a vital role within their enterprise. Imports and exports were delayed by the Coronavirus pandemic and by the government that has implemented strict legislation within the retailing environment.

This study emphasizes the importance of having the proper risk management strategies in place in order to avoid similar situations that the future might hold. With the economy and the rest of South Africa still recovering from the pandemic, all we can do is to be prepared for the worst and hope for the best.

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