

What will it take for South African businesses to survive in 2020?

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Businesses operate in a time of unprecedented volatility across economic, social, technology and political trends, and as these trends evolve, business leaders can no longer rely on traditional business formulas for success.



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Many forces are reshaping the world and entire industries, and there are equally challenging questions about the role of business in society. The keys to business success have fundamentally changed.

Across virtually every industry sector and economy, growth is increasingly difficult to achieve and sustain, pedigree in the market is no longer a factor when it comes to survival, and a myopic focus on financial performance is no longer enough in a society that demands more ethical and societal involvement from business.

Definitive trends are emerging, and more than ever, business leaders must explore new ways to cope with the evolving and heavily inter-related complexities of business unusual in the 2020s.

The future of business is also about much more than business alone. The successful businesses in the 2020s will be those that understand the inextricable links between the social, political, technological and environmental ecosystems they participate in.

Successful companies will be the ones that meet these changing shifts head-on, preparing themselves thoroughly by anticipating future needs and undertaking the difficult process of finding solutions to address them. In doing so, they will establish new and resonant competitive advantages in a world of seismic evolution.

Change is no longer a choice.

Here are 6 key imperatives to make sense of uncertainty and change:

1. Data driven insights will drive the most successful organisations

Definitive risk trends are emerging, and sophisticated data and analytics models are providing powerful insights not only into historical patterns but into the future risks facing the business.

According to Aon's One Brief, more data has been created in the past few decades than in any other period in history, while the vast amount of data available today is predicted to double every three years.

However, data carries no value if insights aren't extracted and acted upon to help drive better decisions. Business leaders will move from simply investing in data to fostering an entire culture that embraces insights-based decision-making at all levels of an organisation. Fundamentally, data-driven insights are critical to moving from uncertainty to opportunity.

2. Understand the nature and financial impact of intangible exposures

Key risks facing business are increasingly intangible – brand value, reputation, intellectual property, cyber and non-damage business interruption.

According to Aon's One Brief, business value will shift and what's invisible will be the most valuable. Every industry is experiencing some form of technology disruption that is fundamentally reshaping its business, and some of the highest valued businesses today are those where innovation is king.

A major source of this value stems from "intangible" assets such as patents, trademarks, trade secrets and IP, copyrights, data, goodwill and even the value of a brand itself. It stands to reason that business leaders - and insurers – need to develop appropriate risk management programmes and risk solutions for such intangible exposures.

3. Cybercrime must be a C-Suite priority

The increasing frequency and voracity of cyber concerns are mirrored in Aon's 2019 Global Risk Management Survey where participants ranked cyberattacks and data breaches as #6 in the top 10 risks facing organisations today.

Startling figures are changing business and public perceptions of cyberattacks and South African organisations of all sizes and industries are not immune to this scourge, and the subsequent fallout.

South Africa now ranks as one of the top countries globally for cyberattacks, with SA ranking 7 out of 16 countries polled for the highest cost of a cyber breach at R36.5m, according to an IBM security study conducted by the Ponemon Institute.

Intrinsically linked to cyber risk is business interruption where businesses are heavily affected by cyber incidents that turn into unexpected and costly operational disruptions, with Lloyd's estimating that cyber-related business interruption could cost businesses as much as US\$400bn a year.

According to Aon's One Brief, the key connection with technology will continue to move businesses forward and, at the same time, become a bigger and bigger risk. Business leaders will continue to form cross-functional teams to work collaboratively across the organisation to build cyber resilience. Increasingly, the issue will become a board-level and C-suite discussion, covering preparation through mitigation – and everyone in the organisation will have a role to play to protect against cyber threats.

4. Political Risks – and the impact on economies - will intensify

Developed nations traditionally associated with political stability are becoming new sources of volatility and uncertainty that worry businesses.

Despite the availability of more data and analytics, and more mitigation solutions, companies are less prepared for political risk than ever before according to Aon's 2019 Global Risk Management Survey. Understanding and preparing for the impact of geopolitical uncertainty and international trade tensions will determine which businesses survive the fallouts and rise to find new opportunities in uncertainty.

5. Climate Change is a global priority

As climate change intensifies, the economic impact increases accordingly.

Property-related and business interruption losses as a result of fire and weather catastrophes have increased dramatically in South Africa, with 2017 having the highest underwriting losses on record.

Storms, floods, tornados and fires increasingly account for the lion's share of local property and business interruption insurance claims, yet businesses remain under-insured for the financial impact of weather-related and uncontrollable losses.

It is vital for business leaders to gain a better understanding of the impact of climate change and the dynamics of extreme weather events. In this way, they can anticipate and effectively manage their exposures. At the same time, businesses need to demonstrate their commitment to and execution of reimagining their processes and ways of doing business to lessen and mitigate their impact on what is probably the greatest crisis currently facing the planet and everything on it.

6. Go to war for talent

Uncertainty around politics and economics are likely to widen SA's skills shortages as an exodus of skilled people

takes place, placing companies under pressure to afford and retain top talent. And while technology will help companies gain insight from data, they still need to find the balance between artificial and human intelligence.

According to Aon's One Brief, no industry is untouched by technology. As organisations make monumental shifts – whether to better serve customers and move from bricks and mortar to digital or to achieve efficiencies to remain competitive and shift entire business models – technology is not working alone.

It is people that will be at the helm of driving the decisions that will, in turn, drive impactful change. It is people that will bring forward and execute against the insights that come from the vast amounts of data that will continue to be generated. And there is a considerable talent shortage – for the right talent.

Business leaders will begin to prioritise talent assessment, reward and performance tools and the skill sets needed to build an agile workforce. Companies will also begin to embrace the idea that helping people understand the choices they face and how they can own their journey through their career can, over time, materially help ease the burden of change for individuals, corporations and governments alike.

Familiar pathways to business success have all but disappeared

The capacity to embrace and adjust to continual change is imperative for business success in the 2020s. And data-driven insights make it possible to understand what has worked, and what may or may not work in the future. A universal truth is that yesterday's solutions no longer address the risks posed by a technologically, economically and politically fraught environment.

In our dynamic and complex environment, planning and predicting alone won't necessarily guarantee success.

Agility will require that businesses learn and implement faster than rivals, adapt to constant change and reimagine competitive possibilities while having appropriate safety nets in place to manage the inherent but often uncharted risks.

The successful business in the 2020s will be the one that strikes the right balance between managing volatility and maximising performance with data-driven risk insights to best manage through the risk to reap the reward.

It is here where Aon's fact-based insights ensure optimal decision making when it comes to responding to risk by comprehensively identifying, evaluating, quantifying and mitigating with a solutions-based management approach to insurance and advice, combined with risk management strategy to help you protect your people, assets and brand, now and into the future.

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