

Upholding quality in the cash-strapped age of Covid-19

South Africa's financial situation was given a punch in the gut by the Covid-19 pandemic. Statistics South Africa reports that Gross Domestic Product (GDP) fell by 16% between the first and second quarters of this year, giving an annualised growth rate of -51%.



Muhammad Ali, managing director of WWSE

This is the largest fall in GDP in over half a century, and dwarfs both the annualised slowdown of 6.1% of the first quarter of 2009, when the global financial crisis occurred, and the 8,2% annualised decline of the fourth quarter of 1982, during the international debt crisis of that year.

Challenges for SMES

Liquidity and cashflow management were singled out by management consulting firm McKinsey & Company as key obstacles for small to medium-sized enterprises (SMEs) with a turnover of R15-R500 million, which are facing unique challenges in navigating the crisis.

SMEs represent more than 98% of the businesses in South Africa, employing 50-60% of the country's workforce across all sectors, and are responsible for a quarter of job growth in the private sector.

Fully 70% of SMEs surveyed in the McKinsey Financial Pulse Survey in April had reduced business spending, with 69% of businesses having seen a significant impact on their business spending, and 51% giving a reduction in revenues as a reason. Just on half of these SMEs were being cautious or preparing for the worst.

Quality of products

"Often the first casualty in tough economic times, aside from a reduction in workforce, is skimping on quality manufacturing standards, or lowering of the compliance bar for short-term financial gain," says Muhammad Ali, managing director of WWISE, an ISO training, consulting and implementation specialist.

Launched in 2009, Centurion-headquartered WWISE employs 35 full-time consultants who specialise in more than 40 industries locally and abroad, training, and implementing ISO standards and programmes for a broad range of small, medium and large-scale business and organisations. The 70-year-old International Organisation of Standardization (ISO) is an independent, non-governmental international body that develops business management standards to ensure the quality, safety and efficiency of products, services and systems across a multitude of industries. It's designed to uphold checks and balances in an increasingly globalised marketplace where consistency and quality from one industry or country to another can slide.

The McKinsey report revealed that over 52% of SMEs were considering closing down parts of their business and reducing capacity because of the crisis, with more than 40% already having done so. But, says Ali,

"Despite the enormous cashflow challenges many businesses have faced, all of our clients have remained in business and none of them have closed. This can be attributed to the meaningful governance, especially in a time of crisis, that ISO provides, and the credibility it gives a business to win new business."

WWISE has recently seen a huge upswing in demand for ISO 22301 Business Continuity, a management system standard published by ISO that specifies requirements to plan, implement, monitor and maintain a management system to protect against, prepare for and respond to disruptive incidents when they arise.

"But as companies started working from home, they also wanted a management system that could support them through these tough times," says Ali.

Companies embarking on the ISO route would typically start off with educating themselves on the merits of ISO standardisation before undertaking a gap assessment with an ISO specialist to pinpoint what standards are needed.

"The immediate benefits are that it gives companies a stronger structure to operate from, by standardising workflows and processes, and helping them to build business continuity by understanding what their clients' needs and expectations are, and what the risks are and how they can mitigate them."

Concrete steps include standardising a company's documents and using innovative ways of communicating policies, processes, procedures, forms and records, as well as integrating quality management systems with several business

systems they may have in place, into one management system that complies with quality and safety standards.

Ensuring that the skills needed to operate this system at an optimal level are in place is vital. “Training is a big part of the ISO certification process,” says Ali, “and that means from shop stewards right up to executive management.” Effective ISO implementation would mean training employees in safety, health, environment and quality (SHEQ), engineering, finance, business and project management to meet the responsibilities and requirements of globally accepted standards.

As businesses in South Africa adapt for “new normal” in lockdown Level 1, government support is key to galvanising SMES in a post Covid-19 world, according to the McKinsey & Company report. But, as Ali points, out, “Government and the public sector require their vendors to conform to ISO, but they haven’t implemented the standards themselves.”

This gives rise to issues such as wasteful and irregular expenditure, inefficient procurement and poor governance. The ISO 37001 Anti-Bribery and Corruption standard can, for example, assist in creating effective processes with training, mentoring and skilling of government staff, and putting in place policies, processes and procedures to generate reports and records, along with mentorship-type training of employees.

Looking ahead, Ali believes that ISO standards and management systems will continue to grow at an exponential rate: already ISO offers more than 26 000 standards and these are growing by the year. “Germany and Switzerland are the pioneers of successful ISO management systems, with the Australians and Americans following closely behind.” Many developing countries, like Brazil, India and China, have benefited from gaining ISO certification and expanding their trade internationally, especially in the textiles, food, manufacturing, metal, import and export industries.

Even during Covid-19’s hard-lockdown restrictions, ISO was remotely auditing companies and organisations through virtual means. “European countries will not do business with you if there’s no ISO certification in place,” says Ali.

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