BLACK SME’S AND COVID-19: A SOUTH AFRICAN PERSPECTIVE ON RISKS IN THE AUTOMOTIVE INDUSTRY AND WHY THOSE RISKS SHOULD BE MANAGED

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ABSTRACT

The research identifies risks (and response to this) that Black-owned Small and Medium Enterprises (SMEs) in the automotive industry face in South Africa. The context is a business environment affected by the COVID-19 pandemic. Semi-structured interviews were used for the study with a sample of 11 businesses (6 micro-businesses and 5 small businesses). All the businesses were based either in the Gauteng Province or Eastern Cape Province of South Africa. Thematic analysis was used to analyze the collected data. The findings highlight the vulnerability of Black SMEs in the face of the Covid-19 pandemic through a set of factors inherent in the business environment. The participating Black SMEs narrated their response to the shocks created by the identified set of factors. The findings of the study provide vital information for policymakers, business leaders, and other stakeholders, to create contingencies, policies, and frameworks necessary to support small businesses.

Keywords: Small Business; Risk; Covid-19; Automotive Industry
INTRODUCTION

The automotive industry, recognized as one of the most significant manufacturing sectors in South Africa, plays a pivotal role in the nation’s economic landscape (Black et al., 2020). Acknowledging its importance, the South African government has earmarked this industry as a key vehicle for driving transformation. This transformation focuses on ensuring the greater inclusion of black small and micro businesses, hereafter referred to as Black SMEs, through comprehensive broad-based initiatives (Davies, 2021). Despite these efforts, a formidable challenge persists: over 75% of South African automotive sector suppliers are foreign multinational entities (Lamprecht, 2022). This situation underscores the government’s policy directive, which places Black SMEs at the forefront of its transformation strategies in the automotive industry (Barnes et al., 2018).

The overarching goal of this transformation in South Africa is to facilitate more substantial economic participation by historically disadvantaged individuals (Horn, 2014). To this end, the transformation and localization of the automotive industry have been identified as priorities across the entire value chain, aiming to secure a globally competitive stance while contributing to broader economic development (Davies, 2018).

Within this context, Black SMEs are seen not only as economic entities but as catalysts for community upliftment. They have the potential to significantly alleviate economic challenges, especially in informal settlements, thereby addressing socioeconomic hardships (Hewitt & Van Rensburg, 2020). Furthermore, Black SMEs in the automotive industry are positioned to rectify past inequalities and effectuate social and political change (Ferleger & Lavallee, 2020). These enterprises are also vital for creating employment opportunities and fostering new business ventures (Maduku & Kaseeram, 2021).

Consequently, the resilience of Black SMEs becomes a crucial element in ensuring the sustainability of transformation within the automotive industry. This sustainability is inherently linked to the ability of Black SMEs to effectively manage and mitigate various business risks (Barnes et al., 2018). These risks, as identified by Horn (2014) include:

1. Lack of financial support;
2. The provision of low-quality goods and services;
3. A deficiency in skills and knowledge;
4. Challenges in participating in the international economy;
5. The harbouring of unrealistic expectations.

The declaration of the Novel Coronavirus (2019-nCoV), commonly referred to as COVID-19, as a pandemic by the World Health Organisation in March 2020 added a new dimension to these challenges (WHO, 2020). In response, the South African government swiftly declared COVID-19 a national disaster and initiated lockdown procedures (Ramaphosa, 2021). Disasters of this magnitude create highly stressful environments for businesses, leading to significant economic losses at all societal levels, thereby posing a risk to the sustainability and continuity of the economic environment and its stakeholders (Bakić, 2019).

COVID-19 has exposed the sensitivity of small businesses to risks and highlighted the importance of understanding the risks to be better managed (Chang et al., 2020). COVID-19 emerged as a particularly formidable risk for the sustainability of Black SMEs (Bartik et al., 2020). These businesses are often perceived as more likely to fail in the face of risks, partly due to inadequately defined policies and a lack of understanding of these risks by both public and private sectors (Ferguson, 2018). The pandemic further...
exposed gaps in government policies in South Africa, revealing that Black SMEs were ill-equipped to confront risks that existing policies did not adequately address (Torrington, 2021).

Generally, SMEs encounter challenges such as knowledge gaps and inadequate disaster risk management, both before and after such crises (Dou et al., 2014). The COVID-19 pandemic brought these vulnerabilities to the forefront, as reported by the OECD Centre of Entrepreneurship, which noted a significant increase in the vulnerability of SMEs (OECD, 2022). In such crises, the implementation of effective risk mitigation measures is paramount, yet their effectiveness hinges on a profound understanding of the risks involved. This understanding is crucial for formulating appropriate contingency measures (Efendi et al., 2022; Raikes et al., 2022). Without such measures, based on a correct understanding and identification of risks, the impact of disasters cannot be effectively mitigated, and the vulnerability of Black SMEs remains unaddressed.

The resilience and sustainability of Black SMEs, particularly in the face of pandemics like COVID-19, are thus of paramount importance. The resilience of these enterprises is essential not only for meeting the transformation and localization targets in the automotive industry but also for their continued contribution to addressing the socio-economic challenges prevalent in South Africa. Therefore, it is imperative to gain a comprehensive understanding of the nature of the risks that Black SMEs faced during and after the pandemic. This knowledge will enable stakeholders to better comprehend the needs of Black SMEs and the types of contingencies required to manage the negative impact of these risks.

Consequently, this research aims to identify the risks that Black SMEs faced amidst COVID-19 and to explore why these risks should be managed effectively to ensure the sustainability of Black SMEs in the automotive industry, thereby enabling the implementation of tailored contingency measures by stakeholders.

LITERATURE REVIEW
There is limited research on the risks that SMEs must face in a disaster, and this gap in the literature makes it difficult to manage and understand risks that impact the resilience of businesses (Laurent et al., 2022; Zhao, 2022). COVID-19 increased risks for businesses and brought instability to Black SMEs (Corrales-Estrada et al., 2021). There is a need to ensure an understanding of the risks being faced to allow for informed decision-making when contingency management takes place (Dvorsky et al., 2021).

Risks can be identified as uncertain events or outcomes of certain factors that will negatively affect the business (Anis Mahomed et al., 2015). Risk has been consistently defined in the literature as the potential for losses related to an adverse event, such as in the case of a disaster (Khan et al., 2008). More specifically, for the purposes of a disaster, it is defined as the sum of a hazard and vulnerability that causes either losses or damage to a society or environment (Dartanto, 2017). COVID-19 had a significant impact on the economies of countries and, in turn, impacted small businesses, creating high risks that required management (Akmal Gafar et al., 2021).

Black SMEs are highly susceptible to risks in the external environment, as evidenced during COVID-19 (Hsiao et al., 2022; Martin et al., 2020). This requires a comprehensive understanding and risk identification relating to Black SMEs so that a proper resilience approach can be identified (Jaroslav et al., 2014; Tömasson, 2022). The sustainability of Black SMEs is vested in the ability to manage the internal and external risk environments and effectively respond thereto (Gentjan et al., 2019; Hock-Doepgen et al., 2021).
Small businesses face a very complex risk landscape during a pandemic (Ibrahim et al., 2021; Patil et al., 2012). Comprehensive risk management that emphasizes the multifaceted nature of risks is required for small businesses (Belás et al., 2015). The literature sets out various risk factors that impact the sustainability of small businesses, which can be categorized as financial, operational, socio-economic, technological, and human resources risks.

Financial risks were inherent to Black SMEs even before the pandemic, significantly influencing overall resilience (Martin et al., 2020). COVID-19 exacerbated challenges such as market downturns, elevated costs, and increased general economic losses (Xiao et al., 2022). Capital and liquidity requirements for businesses increased to sustain operations; however, Black SMEs did not have adequate capital to sustain the adverse effects of COVID-19, making the liquidity of their businesses an immediate concern (Arne Alza & Sutrisno, 2022; Chih-Yi & Jia-Wei, 2022). During the pandemic, there were low asset-to-liability ratios which impacted small businesses' ability to raise necessary funding. (Chih-Yi & Jia-Wei, 2022)

There was limited access to financial resources, not only during the pandemic but also before, which increased sustainability risks for Black SMEs (Belás et al., 2015; Gentjan et al., 2019). Businesses had high debt levels, and this increased liquidation rates due to the inability to properly manage debt (Barontini & Taglialetela, 2022; Laurent et al., 2022). Banks' lending requirements were stringent and not conducive to the profile of Black SMEs, impacting risk assessments and causing businesses not to qualify for necessary financial assistance (Barontini & Taglialetela, 2022; Jaroslav et al., 2014; Timothy Olaniyi & Paul, 2016). Not only were some private sector policies inappropriate, but the effectiveness of public sector interventions also led to increased financial risks (Bernd, 2021; Hsiao et al., 2022; Laurent et al., 2022).

COVID-19 increased human resource risks that impacted not only the business but also the employees themselves (Martin et al., 2020; Mueller et al., 2022). Businesses faced risks such as employee well-being, performance management, unemployment, and challenges with performance management (Yifan et al., 2021; Yutong, 2022). Businesses also had to deal with aspects specifically noted in COVID-19, such as resignations, new organizational cultures, motivating employees, management of high-stress environments, and integrity behaviour (Berger, 2022).

Black SME skills and knowledge were found to be lacking in COVID-19 and posed a significant risk to Black SMEs being able to manage the business to improve performance (Hsiao et al., 2022; Laurent et al., 2022; Nana et al., 2021). This required the business to invest in training and upskilling and further provide financial incentives to employees for retention of skills, which drained financial resources in an environment already under financial pressure (Qianzi et al., 2022; Yutong, 2022).

The pandemic revealed how important it is for a cohesive workforce and operational stability with employees. Remote working environments required that businesses adapt their management of employees, exposing the business to new risks (Mueller et al., 2022; Yutong, 2022). Employees' conduct and organizational cultures were influenced, impacting the effectiveness of risk management measures (Berger (Berger, 2022; Dvorsky et al., 2021; Gentjan et al., 2019). The mental health of employees and management, such as depression and burnout, caused uninformed decisions and decreased effective risk management (Bondarenko et al., 2021; G. Martin et al., 2020; Olivier et al., 2021).

COVID-19 exposed the social risks that arise out of a disaster and showed the importance of managing Black SMEs sustainably (Agnieszka & Manuela, 2021). The
pandemic increased gaps in communities as poverty and unemployment soared during the disaster, negatively impacting Black SMEs (Martin et al., 2020; Pu et al., 2022). The societal risks emanated from the impact that businesses had on their community and the community itself had on the business, especially with Black SMEs that play such an important role in society (Graetz & Franks, 2016). The pandemic caused external societal environment changes that continuously challenged the businesses’ sustainability, necessitating proactive management by the business (Christopher et al., 2021; Elisa et al., 2021; Hyo Eun et al., 2021).

The social risks that Black SMEs will experience are vested in elements such as religious beliefs, culture, and specific societal behaviour (Graetz & Franks, 2016). These external societal risks can negatively impact the businesses’ sustainability (Arnault-Maximilian et al., 2022). The response of society to a pandemic in the realm of religion, gender, and other previous experiences will play an important role in determining the level of risks being faced by the business (Graetz & Franks, 2016; Sohrabizadeh et al., 2018). The awareness of consumers of the business and its values and beliefs heightened in the pandemic, influencing the businesses’ sustainability (Charilaos, 2021; Nguyen Khanh, 2022).

Black SMEs play an important role in society, and during the pandemic, small businesses were seen as an integrated part of the community ecology (Agnieszka & Manuela, 2021; Habibie, 2022). The reputations of businesses in the pandemic were crucial to securing funding and assistance, thus it was important to ensure that ethical business practices were maintained and that consumers continued to support the business (Jiang et al., 2022; O’Callaghan 1, 2007; Oktariani, 2022). Businesses that were able to improve public and private perception around their businesses could secure better financial and societal benefits (Chih-Yi & Jia-Wei, 2022; Yutong, 2022).

The pandemic increased the risks in relation to the operations of Black SMEs (Oktariani, 2022; Yutong, 2022). The operational risks experienced were diverse in nature and led to adverse effects on the business (Chih-Yi & Jia-Wei, 2022). The implementation of regulations caused businesses to experience closures that impacted service delivery and customer interactions. The high level of operational risks required more capital and effective management, which was challenging for a small business (Oktariani, 2022; Yutong, 2022). Supply chain shocks and economic adversity were experienced due to disruptions in material availability, supply chains, and demand (Charilaos, 2021; Martin et al., 2020).

Operational procedures, processes, and information management were primarily the drivers for operational risks (Ristanović et al., 2021). It was crucial that the small business was able to understand the risks and adapt to the changing environment brought about by the pandemic (Gerard & Lech, 2022). Significant capital investments were required to keep operational risks to a minimum, but this was challenging due to the disruptions in the economy brought about by Covid-19 (Kumar et al., 2018; Yutong, 2022). Supply chain risks were significant, and these had to be managed in order to secure stability, especially in the automotive industry (Ibrahim et al., 2021; Kumar et al., 2018; Qingyu et al., 2021).

Customers and competitors increase the operational risks experienced by small businesses (Dvorsky et al., 2021). Customer risks pose challenges in an environment where business shutdowns become key risks, especially in a competitively sensitive business environment (Gentjan et al., 2019; Neda, 2018). In the automotive industry, poor internal management was a key risk that required management as it could pose significant operational risks (Kumar et al., 2018; Yutong, 2022). Small businesses in a
pandemic tended to be reactive in nature, and this created decisions that were not conducive to facilitating resilience (Laurent et al., 2022).

During the pandemic, businesses had excess resources and there were attempts to retain these resources, but this led to higher costs and inefficiencies (Elisa et al., 2021; Kumar et al., 2018). Operations were also placed at risk due to infection rates in the business, lockdown measures, and legislative requirements that the small business had to deal with (Christopher et al., 2021; Chuanrong & Xinba, 2021). This was also the case with the distribution of misinformation and the lack of awareness in the pandemic by small businesses, which created risks with relation to the operations of the business (Chang et al., 2020; Xiaosong et al., 2022).

The automotive industry during COVID-19 was significantly impacted by the availability of technology, and this was evident with the shortages of semiconductors. This led to adverse impacts on the operations of the business as manufacturing could not take place or was limited (Kevin et al., 2014; Natalia et al., 2022). The inability of the small business to manage the negative impact that technology could have on their businesses heightened the threat in relation to the resilience of the business (Arnauld-Maximilian et al., 2022; Dvorsky et al., 2021; Osama, 2022). Technology and the drive for innovation are key for the survival of the small business, but were limited due to resource losses and the unpredictability of revenue in the pandemic (Hock-Doepgen et al., 2021).

The pandemic required that businesses implement e-commerce solutions in order to reach their customer base, but this was hampered by perceptions of customers that the service had high costs and that there was poor performance by suppliers (Yutong, 2022). Businesses used technology and internet platforms in order to ensure that operations were stabilized as best as possible to render services or goods, but risks arose such as cybersecurity and data protection that impacted the effectiveness of this strategy (Sheehan et al., 2021; Shevchenko et al., 2022). Even if innovation was possible for small businesses, there were other risks that reared their head such as unreliable networks, poor infrastructure, and limited financial resources (Natalia et al., 2022; Shi-Yun et al., 2022).

Covid-19 brought with it a high pace of implementation of technology in business, and this required adaptations to the operational requirements of the business. The urgent implementation of technology brought other risks such as cybersecurity. The diversity and scope of technology available and used by the small business highlighted that there must be a clear understanding of the risks and a multifaceted strategy is required to manage the environment (Aomduan & Chaiyaporn, 2022; Griffy-Brown et al., 2021; Laurent et al., 2022).

It is undisputed that small businesses faced risks during the pandemic. The risks took various forms that impacted the business negatively and threatened the sustainability and resilience of small business. It is vital to understand the risks that the Black SME had to deal with in the automotive industry and determine why those risks are required to be managed. By understanding the full scope of the risks for the Black SME it will allow stakeholders to consider and implement bespoke contingency measures that will solidify their resilience for future contributions to the economy.

**METHOD**
The research aimed to gain insights into the complex risk environment faced by Black SMEs in the automotive industry, with a particular focus on the COVID-19 pandemic. The goal was not only to identify the risks but also to understand why these specific risks
needed to be managed by Black SMEs. This understanding is crucial for stakeholders to comprehend the unique risks associated with Black SMEs in this industry.

The research design employed a qualitative approach, as it was most effective in exploring the complexities of the COVID-19 phenomenon. The qualitative research method is considered the most appropriate for disaster-related research for several reasons (Mueller et al., 2023):

1. Quantitative methods do not provide in-depth insights into the experiences of small businesses during disasters.
2. They facilitate a better understanding of the social impacts of disasters.
3. They enhance understanding of the vulnerabilities and needs of study participants in disaster research.
4. They provide deeper insights into the inequalities experienced by subjects during disasters.
5. They may reveal the vulnerabilities of marginalized groups affected by disasters.

An inductive approach was adopted for this research, as observations made in relation to themes in the collected data led to the formulation of conclusions and theories. This approach is particularly suitable for disaster research as it supports significant theory development (Waring, 2019). In the context of COVID-19 research, the inductive approach enabled findings that provided substantial insights into the business environment (Carungu et al., 2021). An interpretive paradigm was utilized to gain insight into how Black SMEs experienced COVID-19. This paradigm is most appropriate for disaster research as it provides tailored insights into the realities and experiences of research participants (Daniel et al., 2018).

The target population for the study comprised Black SMEs in the automotive industry involved in providing goods or services related to automotive retail, repair, and motor trade for Original Equipment Manufacturers in South Africa. The sample consisted of 11 participants from this target population, divided into small and micro-enterprises from the Gauteng and Eastern Cape regions of South Africa. A purposive sampling technique was employed to ensure a sample that is representative of the target population and of the broader population of interest for the research. The table 1 below outlines the parameters for the sample participants:

<table>
<thead>
<tr>
<th>Participants</th>
<th>Black ownership %</th>
<th>Total annual turnover</th>
<th>Employees</th>
</tr>
</thead>
<tbody>
<tr>
<td>6 Micro Businesses</td>
<td>Between 51 and 100%</td>
<td>Between ZAR 1,5 million and ZAR 7,5 million</td>
<td>Between 1 and 10</td>
</tr>
<tr>
<td>5 Small Businesses</td>
<td>Between 51 and 100%</td>
<td>Between ZAR 9.6 million and ZAR 25 million</td>
<td>Between 11 and 41</td>
</tr>
</tbody>
</table>

Semi-structured interviews were conducted to gather data from the 11 participants. The research aimed to describe the risks that Black SMEs must manage during disasters in the automotive industry and to understand the necessity of such management. To achieve this objective, the following questions were posed to the participants:
1. What risks did you manage during COVID-19?
2. What financial risks did you manage, and what were they?
3. What socio-economic risks did you manage, and what were they?
4. What human resource risks did you manage, and what were they?
5. What operational risks did you manage, and what were they?
6. What technological risks did you manage, and what were they?
7. Were there any other forms of risks?
8. What measures did you implement to mitigate the identified risks?
9. Did you utilize government initiatives?
10. Did you engage with private sector initiatives?
11. Were you aware of all available measures in the public and private sectors?
12. What additional actions did you take?

The interviews were conducted via Microsoft Teams, providing a safe and flexible environment for the participants. This method was also chosen due to the geographic dispersion of the participants across different provinces of South Africa. Interview durations ranged from 1:30 to 2:30 hours. Subsequently, an independent transcription agency transcribed the audio recordings to ensure accuracy in capturing the participants' responses. The empirical research design was meticulously considered to capture the unique perspectives of Black SMEs in the automotive industry. The data collection process was structured to yield rich and in-depth data, facilitating comprehensive insights into COVID-19 and the research objectives.

Data saturation was reached after interviewing the 11th participant, as no new information emerged from the interviews. Throughout the data collection process, the researcher analysed the data in comparison with previous interviews to determine the need for additional interviews. In qualitative studies, data saturation is measured not by the quantity but by the quality of the data (Lowe et al., 2018). The collected data was rich and provided significant insights into the research questions and objectives, leading the researcher to conclude that data saturation had been achieved.

The collected data were coded to identify themes within the transcribed interviews. Initial high-level data coding was conducted, followed by a refinement of codes based on the analytical interests of the research objectives. Connections were made to the theoretical framework to facilitate the identification of themes. An inductive analysis was employed to categorize and identify themes. Coding frequency was recorded, and an audit trail was established for the data sources, categories, and themes. The discussion, conclusions and recommendations will be based on the data collected and the thematic analysis that were completed in order to answer the research question and objective.

RESULTS AND DISCUSSION
Based on methodology outlined, the following themes and primary statements were identified, as detailed in Tables 2 and 3. References to “Px” in these tables correspond to the identification of the relevant participant.
## Table 2
Identified Risk Themes And Subcategory Themes

<table>
<thead>
<tr>
<th>Theme</th>
<th>Subcategory Themes</th>
<th>Representative Quotes from Participants</th>
</tr>
</thead>
<tbody>
<tr>
<td>Financial</td>
<td>Revenue</td>
<td>&quot;We were not making that revenue because everything was stopped during the pandemic&quot; (P1)</td>
</tr>
<tr>
<td></td>
<td>Customer</td>
<td>&quot;Customers... are facing the pandemic, so we do not have any more funds to pay&quot; (P1)</td>
</tr>
<tr>
<td></td>
<td>Compliance</td>
<td>&quot;Compliance with the necessary requirements... were expensive&quot; (P6)</td>
</tr>
<tr>
<td></td>
<td>Fixed Agreements</td>
<td>&quot;Debit orders on some of our machinery&quot; (P2) caused limitations in cash flow</td>
</tr>
<tr>
<td></td>
<td>Input Costs</td>
<td>&quot;Increase in input costs... had a natural effect that operational costs significantly increased&quot; (P2)</td>
</tr>
<tr>
<td>Human Resources</td>
<td>Reduction in Employees</td>
<td>&quot;Having to lose employees because we could not pay them. So we had to let go of our employees&quot; (P5)</td>
</tr>
<tr>
<td></td>
<td>Infection</td>
<td>&quot;Our production started again, we did run the risk of employees testing positive for Covid 19&quot; (P1)</td>
</tr>
<tr>
<td></td>
<td>Operational</td>
<td>&quot;The chain of command was abruptly cut&quot; (P1)</td>
</tr>
<tr>
<td></td>
<td>Health and Safety</td>
<td>&quot;Had to intervene in terms of taking a bit of a greater threat due to employees' health and safety&quot; (P4)</td>
</tr>
<tr>
<td></td>
<td>Welfare of Employees</td>
<td>&quot;To have staff that is demoralised because they do not know whether today is their last day at work&quot; (P5)</td>
</tr>
<tr>
<td></td>
<td>Government</td>
<td>Not explicitly quoted, but implied through the narrative</td>
</tr>
<tr>
<td>Operational</td>
<td>Loss of Contracts</td>
<td>&quot;Lost income and it was our biggest client in those days. So we had that financial risk&quot; (P5)</td>
</tr>
<tr>
<td></td>
<td>Supplier</td>
<td>&quot;The increase in prices of products and raw material all over the show, especially steel&quot; (P2)</td>
</tr>
<tr>
<td></td>
<td>Equipment</td>
<td>&quot;With the breakdowns, you can't deliver the quality and with the breakdown, you cannot deliver the quality on time as well&quot; (P1)</td>
</tr>
<tr>
<td></td>
<td>Deadlines</td>
<td>&quot;Your deadline is this certain date and you basically not having production now for four, five weeks, and it's definitely going to affect your deadline&quot; (P2)</td>
</tr>
<tr>
<td></td>
<td>Employees</td>
<td>&quot;People not showing up at work... then you have to bring in a replacement&quot; (P4)</td>
</tr>
<tr>
<td>Social</td>
<td>Mental</td>
<td>&quot;Mental health. For sure, as I say, we started seeing people being a little bit more depressed&quot; (P9)</td>
</tr>
<tr>
<td>Economic</td>
<td>Unemployment</td>
<td>&quot;If I am going to look for the job now. Where am I going to look and get the job&quot; (P1)</td>
</tr>
<tr>
<td></td>
<td>Employee Family</td>
<td>Not explicitly quoted, but implied through the narrative</td>
</tr>
<tr>
<td>Technology</td>
<td>Mobility</td>
<td>&quot;We use desktop not laptops, so now you have to take that box home, plug it in etcetera&quot; (P5)</td>
</tr>
<tr>
<td></td>
<td>Data Protection</td>
<td>&quot;Confidential work... I need to discuss more confidential things about the company&quot; (P4)</td>
</tr>
<tr>
<td>Regulation</td>
<td>Regulatory Framework</td>
<td>&quot;The legislation around it was very tough, an unnecessary, untidy process&quot; (P5)</td>
</tr>
</tbody>
</table>

Source: Data Analysis, 2023
The research objective was to describe the risks that Black SMEs had to manage during COVID-19 and to understand why managing these risks was necessary. The research revealed that Black SMEs faced a number of interrelated risks that were financial, human resource, operational, regulatory, technological, and socio-economic in nature.

Participants indicated that they experienced financial risks in managing revenue, engaging with customers, handling fixed contracts, and coping with high input costs. Financial risks remain a prominent challenge for small businesses (Chang et al., 2020). Participants experienced a reduction in their ability to service clients and noted the inability of clients to fulfill their payment obligations, leading to reduced revenues. The inability of clients to make payments is a common issue in disasters, often affecting small businesses (Martin et al., 2020).
Operational risks included the loss of contracts, an unstable supply chain, equipment management challenges, and issues with premises occupation. Supply chain management and instability are seen as key risks for small businesses (Qingyu et al., 2021). These risks impacted the Black SMEs’ ability to operate resiliently. The Black SMEs faced operational disruptions that led to increased costs, affecting their capacity to continue rendering services at the standards required by customers and to meet contractual obligations.

Employee welfare, health and safety, and the pressure to reduce staff significantly impacted the Black SMEs as risks relating to human resources. There was a notable impact on the mental health and morale of employees, leading to increased absenteeism and a reduction in productivity and efficiency. This is consistent with the employee challenges faced by small businesses in general during pandemics and other disasters (Olivier et al., 2021).

The Black SME plays a vital role in its community and is key to socio-economic change in the automotive industry. These businesses are also exposed to risks in the socio-economic environment that impact their sustainability. This includes concerns around unemployment and mental health. Fears regarding the closure of the business and its impact on the community and employees, who are part of that community, drive socio-economic risks and concerns. This reflects the vulnerability of Black SMEs to external shocks in their operating communities (Graetz & Franks, 2016).

Black SMEs were required to implement technology infrastructure for mobility, necessitating additional financial resources which were limited during COVID-19. With the adoption of technology, these businesses faced data protection risks, which could cripple their organizations in the event of a cybersecurity attack. Cybersecurity risks have become increasingly prominent for Black SMEs implementing technology.

Regulatory challenges and risks were primarily driven by the complexity of the regulatory framework and the excessive costs required for compliance. Regulatory frameworks must be tailored to small businesses; otherwise, they place a significant financial burden in an environment where financial resources are already strained (Dvorsky et al., 2021).

The range of risks provides insight into how sensitive Black SMEs are to environments created by disasters such as COVID-19. Risks cannot only be evaluated in isolation; their interactions create a complex environment, making it essential to understand the risks, their impacts, and the reasons they should be managed.

The financial stability of Black SMEs is directly impacted by operational disruptions. Operational risks strain the businesses’ financial resources, leading to an interplay between these risks that affect resilience (Martin et al., 2020). Compliance with the regulatory environment also places a significant financial burden on Black SMEs, affecting cash flow and operational efficiency due to the implementation of regulatory requirements. This leads to a reduction in operational efficiency and productivity of the business (Yifan et al., 2021).

The risks faced by Black SMEs have significant interrelations, meaning that one risk can impact or escalate another. Therefore, risk management cannot be done in isolation; it must consider various other factors that may give rise to other risks adversely impacting the resilience of Black SMEs. Comprehensive risk management is essential for a holistic approach to building resilience (Tómasson, 2022).
CONCLUSION AND SUGGESTION
The research began with the objective of describing the risks faced by Black SMEs during the pandemic and why these risks needed to be managed. Black SMEs faced various risks during COVID-19, each of which had an adverse impact on the business. This negative impact underscores the necessity of managing these risks. If unmanaged, the research indicates that these risks will impact the resilience of Black SMEs. There is an interlinkage between risks that creates a complex environment for managing them. Risks cannot be compartmentalized and focused on individually; a holistic approach is required.

The landscape of risks for Black SMEs in the automotive industry is multifaceted and intricate with risks emanating from both the internal and external environment. This is confirmed by the spectrum of identified risks and their impact on the business. The risks are not only highly diverse but are also significantly interconnected. Each risk has consequences if not managed, influencing the sustainability and resilience of Black SMEs.

Managing financial risks provides stability to the business and influences the ability of Black SMEs to manage other arising risks that threaten sustainability. Effective financial risk management is critical for ensuring the ability to secure post-disaster recovery (Chang et al., 2020). The ability of Black SMEs to manage financial risks is not only a question of acumen but an imperative for securing resilience.

The research highlights the vulnerability of Black SMEs in the face of the pandemic. The external shocks experienced should motivate policymakers to proactively address these risks to limit their impact. The dual challenges created by the interaction of risks underscore why they should be managed. The risks and their compounding effects have far-reaching implications for Black SMEs. The evolving nature of these risks requires the allocation of scarce resources and constant monitoring, with adaptable policies from both the private and public sectors.

The interconnectivity of risks requires Black SMEs to approach them holistically. Effective risk management strategies for Black SMEs go beyond addressing a single risk in isolation. They must consider the cumulative and cascading effects on the overall sustainability of the business. This supports the findings of Belás et al. (2015) and Yingying et al. (2022), confirming the need for comprehensive risk management due to the nature of risks associated with small businesses, which must remain responsive and adaptable in a dynamic environment such as a pandemic.

This research not only identifies the risks faced by Black SMEs during COVID-19 but also highlights the need for an integrated risk management process. Understanding the interconnected nature of the risks and their impacts, which informs the reason for their management, is crucial for creating effective resilience strategies. Black SMEs will continue to face a changing business environment, particularly in times of a pandemic, and this research contributes to the body of knowledge in relation to small business risk management. This provides vital information for policymakers, business leaders, and other stakeholders, to create bespoke contingencies, policies, and frameworks that will be successful interventions to support this critical sector of the South African economy and society.

REFERENCES


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