



# The Convergence of Loadshedding and Commercial Crime and what this means for Business in South Africa

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## Introduction

Recently, the president of South Africa declared a national state of disaster as a cause of loadshedding. Since 2007, South Africa has been in the grip of the ongoing South African energy crisis.

Power outages have general direct and indirect effects on the overall performance of firms, causing increases in economic costs, reductions in produced quantities, and eventually decreases in sales and productivity. This puts strain both on businesses and employees that proportionally increases the likelihood of commercial crime occurring as loss in sales can mean a loss of income for some economic stakeholders.

The effect of loadshedding is not only felt through the burden that it brings on businesses but through the fallout of chaos that stems from it. Loadshedding leads to disarray and a systematic deterioration of a sound governance environment, creating opportunities for commercial crime to take place, and easing the justification thereof. As such, chaos is caused through the impact of loadshedding, and



the affects the prospective businesses in the country. Desperate businesses, managers, and employees whose remuneration is tied to performance suffer under the yolk of South Africa's energy crisis.

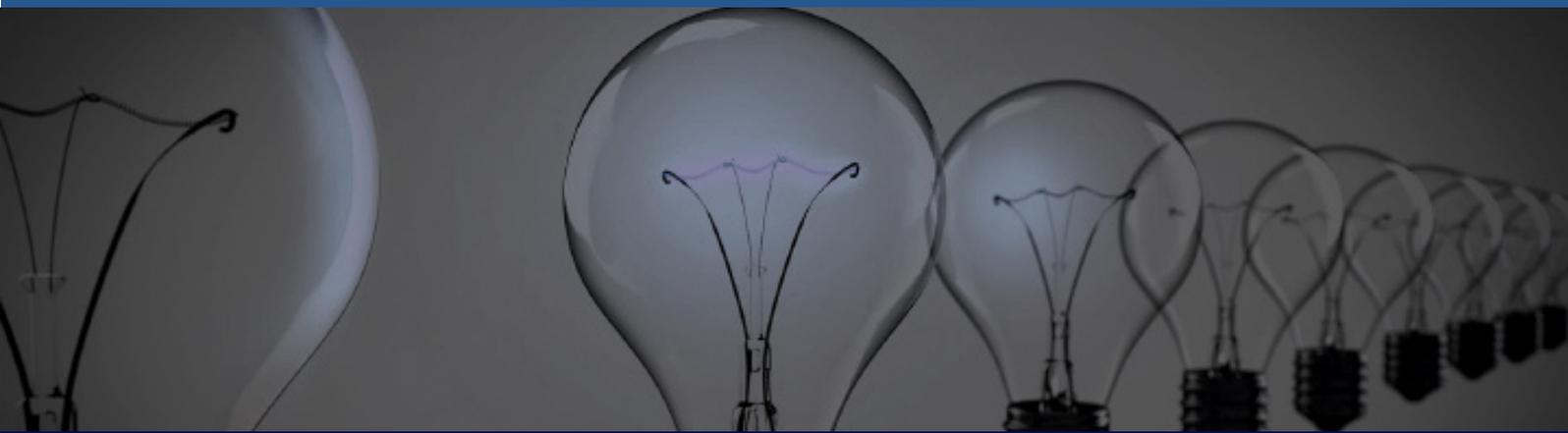
## **Commercial Crime Thrives Under Loadshedding Due to Chaos Created & Depleted Governance Environments**

### **The extensive impact of loadshedding**

Loadshedding is more than simply not having electricity as it brings with it additional issues of productivity, safety, security, and affects both mental and physical health. It is estimated that 40% of households have alternative sources of power, such as generators or solar power but that means that more than half of the country's households do not have these backup systems in place. The pressure on infrastructure that was not meant to be switched on and off means the occurrence of power failures during non-loadshedding times is increased.

The varying loadshedding schedule can leave a feeling of uncertainty which alongside the collapsing cellular networks contributes to increasing the desperation of employees and businesses in need. Businesses across-the-board experience increased distress because of loadshedding as opportunities for both physical and commercial crime increase.

South Africa is facing an unprecedented scenario that is impacting all business sectors and industries at large. It was reported that the country's Gross Domestic Product decreased by 0.7% in the last year and that this decrease was largely attributed to the blackouts that have been hampering economic output. With loadshedding continuing at its current pace the economy is expected to grow by only 0.3% in 2023 and 0.7% in 2024.



With Eskom declaring power cuts that in some instances can take more than a third of the day, businesses and individuals are being pushed to new extremes to survive in the harsh South African economic climate. The electrical shortages threaten numerous high profit industries including, however, not limited to, food, agriculture, chemicals, and manufacturing. Furthermore, organisations are using long term capital that could be invested in the business on short term survival strategies that will enable operations to continue without majorly impacting the revenue stream.

Numerous businesses use “smart” technology to assist with automated business management, however, this technology is rendered obsolete if there is no electricity to power the devices. Supply chains that rely on technological systems can be placed in jeopardy if sales drop due to loadshedding as the loss of power can result in theft, administrative negligence, and financial data corruption from accounting systems not functioning properly. Offline systems result in loss of sales and revenue, this can in turn result in poor financial performance and can corrupt healthy corporate environment. Supply chains that manufacture products may not be able to produce their goods to a high standard due to loadshedding, which can result in loss of inventory and raw materials, alongside a loss of revenue for the unsellable products.

Businesses should have adequate controls in place in the event of loadshedding. Fast food outlets KFC and Nando’s have recently announced that loadshedding

is hampering chicken supply and storage, alongside adversely affecting popular menu items for retail sale. This non-sale of items means that revenue is lost as consumers will go to a competing brand. Astral Foods, the largest South African poultry supplier, reported a direct loss of R126 million for the 2022 financial year because of ongoing power cuts.

The impact of loadshedding has a more sinister side to it as well. Criminals have begun monitoring loadshedding to their advantage as alarm systems and intruder alert systems, and financial and administrative systems may not operate effectively. Of the incidents reported to Atlas24 Security, 59% of the incidents stemmed from commercial properties.

Lizette Lancaster, who is with the Institute for Security Studies (“ISS”), stated that rotational power cuts give criminals an advantage. Criminals work on an opportunity basis, and loadshedding gives criminals opportunities that business controls would essentially mitigate. Even appointing more security guards, or strengthening digital security features, may be detrimental as the cost of additional manpower may affect the organisation’s revenue stream and profit margins.

Although most publications recognise the increased risk of crime, this is attributed to opportunistic criminals targeting businesses, and hardly ever the risk of their own employees overstepping work regulations and policies. Given the current economic climate, aggravated by loadshedding, businesses that lose revenue may need to cut staff, to reduce the financial strain on the organisation, or may need to offer employees a lower salary to stay in business.

Employees are feeling pressure more than ever before with



the rising cost of living, which means that a greater percentage of employees are more inclined towards committing commercial crime. Not only does the economic circumstances allow them to rationalise criminal behaviour, but the broadcasting in media of criminal elements in, for example, government that seem to go unpunished contribute to rationalisation tactics. Businesses must always be mindful that employees can be affected if households lose an income source, leading to an easier rationale to commit crimes to elevate or maintain their standard of living. Although not all employees would accept a “pay cut” to keep the business operational, News24 recommends that organisations must only apply retrenchment due to operational requirements as a last resort.

Employees are in the perfect position to identify commercial crime opportunities within business operations especially as a result of loadshedding. Such as accounting systems not working, camera monitoring systems being offline, and cash-up procedures not being possible or containing inaccurate data. Companies are urged to adapt policies and procedures to account for modern everyday adversities such as loadshedding. As Margaret Heffernan famously said, you cannot fix a problem that you refuse to acknowledge.

From a security standpoint, loadshedding is seen as a major risk to any and all businesses that operate within the boundaries of South Africa. Damage to electronic systems can have an adverse effect on the security and cybersecurity of the organisation as firewalls may be shut down, and physical security measures, such as cameras to curb shoplifting, may be damaged or shut down. Burglar alarms may not be able to operate sufficiently during loadshedding which leaves businesses vulnerable to break-ins and damage to property.



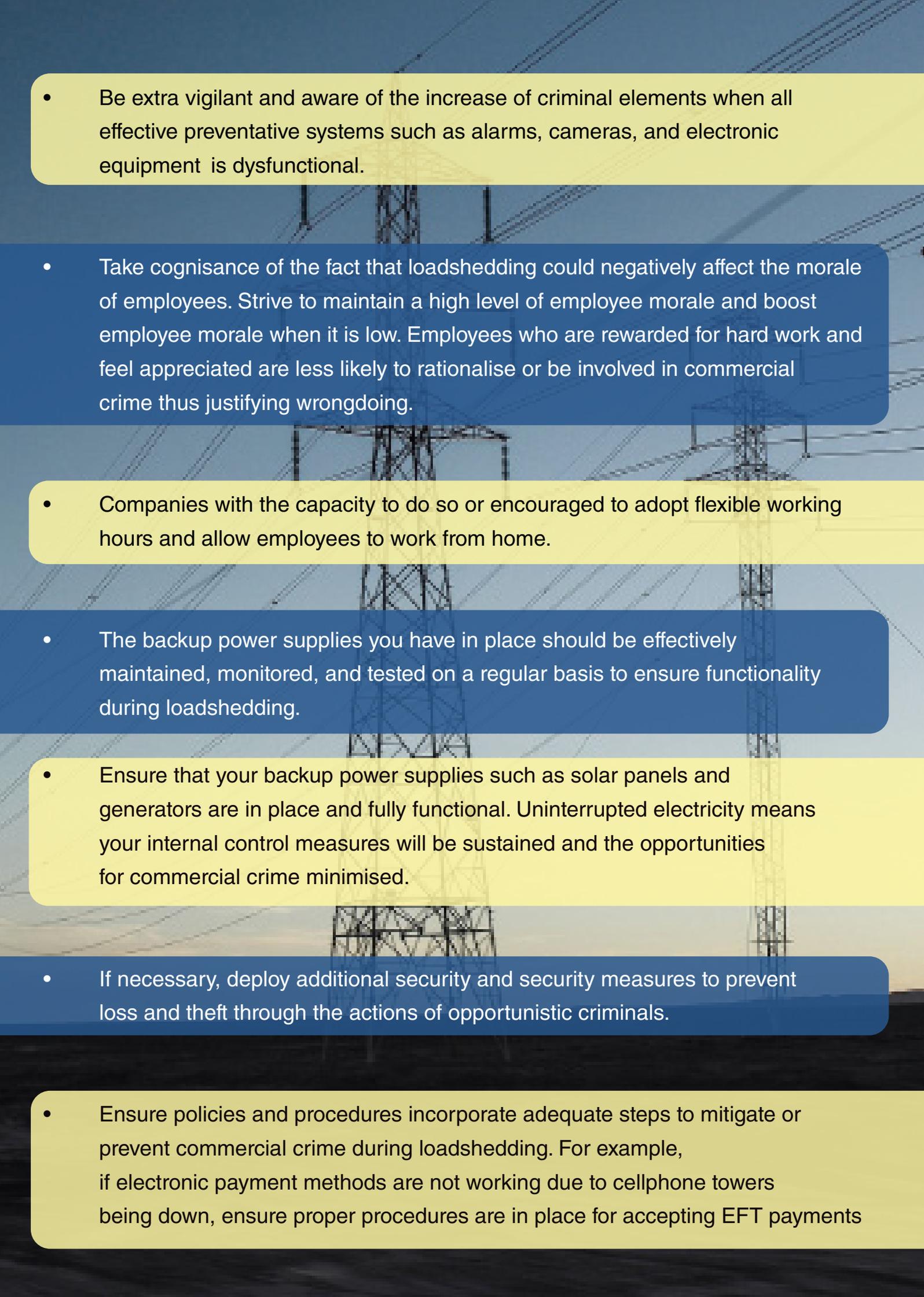
# How to mitigate the commercial crime risks posed by loadshedding

Businesses may be required to change processes and management policies to mitigate the effects of loadshedding and ensure productivity. Businesses can allow employees to work from home to prevent them from experiencing unavoidable traffic issues and declines in productivity. One of the best ways to ensure that a business remains productive during loadshedding is to consider cloud-based solutions to replace on-premises solutions. Cloud-based technology allows employees to work from anywhere provided they have an internet connection.

Businesses are encouraged to regularly back up data to avoid data corruption or loss of information. These back-ups can be a useful tool should there be damage to the computer. Cloud-based back-ups can serve to assist when hard drives crash or if there is data corruption of existing files. A small business can consider online platforms such as Dropbox or Microsoft's OneDrive to use as cloud-based platforms. These cloud storage and backup solutions allow you to keep online copies of every document you work on; however, a hard copy of the information is still required just in case information is needed urgently or if there is no internet connection available.



RMG recommends the following useful tips to assist your business in combatting commercial crime during loadshedding:

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- Be extra vigilant and aware of the increase of criminal elements when all effective preventative systems such as alarms, cameras, and electronic equipment is dysfunctional.
  - Take cognisance of the fact that loadshedding could negatively affect the morale of employees. Strive to maintain a high level of employee morale and boost employee morale when it is low. Employees who are rewarded for hard work and feel appreciated are less likely to rationalise or be involved in commercial crime thus justifying wrongdoing.
  - Companies with the capacity to do so or encouraged to adopt flexible working hours and allow employees to work from home.
  - The backup power supplies you have in place should be effectively maintained, monitored, and tested on a regular basis to ensure functionality during loadshedding.
  - Ensure that your backup power supplies such as solar panels and generators are in place and fully functional. Uninterrupted electricity means your internal control measures will be sustained and the opportunities for commercial crime minimised.
  - If necessary, deploy additional security and security measures to prevent loss and theft through the actions of opportunistic criminals.
  - Ensure policies and procedures incorporate adequate steps to mitigate or prevent commercial crime during loadshedding. For example, if electronic payment methods are not working due to cellphone towers being down, ensure proper procedures are in place for accepting EFT payments

# Conclusion

It is evident that loadshedding will not be going away anytime soon. Though a comparably young nation, South Africa has endured many hardships and problems. Even when looking at the darkest periods of South Africa's history the country has always found a way to move forward for the collective good. It is the small businesses in South Africa that form the heartbeat of the economy, and it is the small businesses that are suffering the most due to loadshedding. Businesses in South Africa need to be aware of the commercial crime risks posed to them by both external and internal parties and ensure mitigating processes are in place to soften the blow of everyday adversities such as loadshedding.

The resilience of the South African economy is determined by the implementation of sound corporate governance at all times and the effect of loadshedding in this regard should not be underestimated.

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