

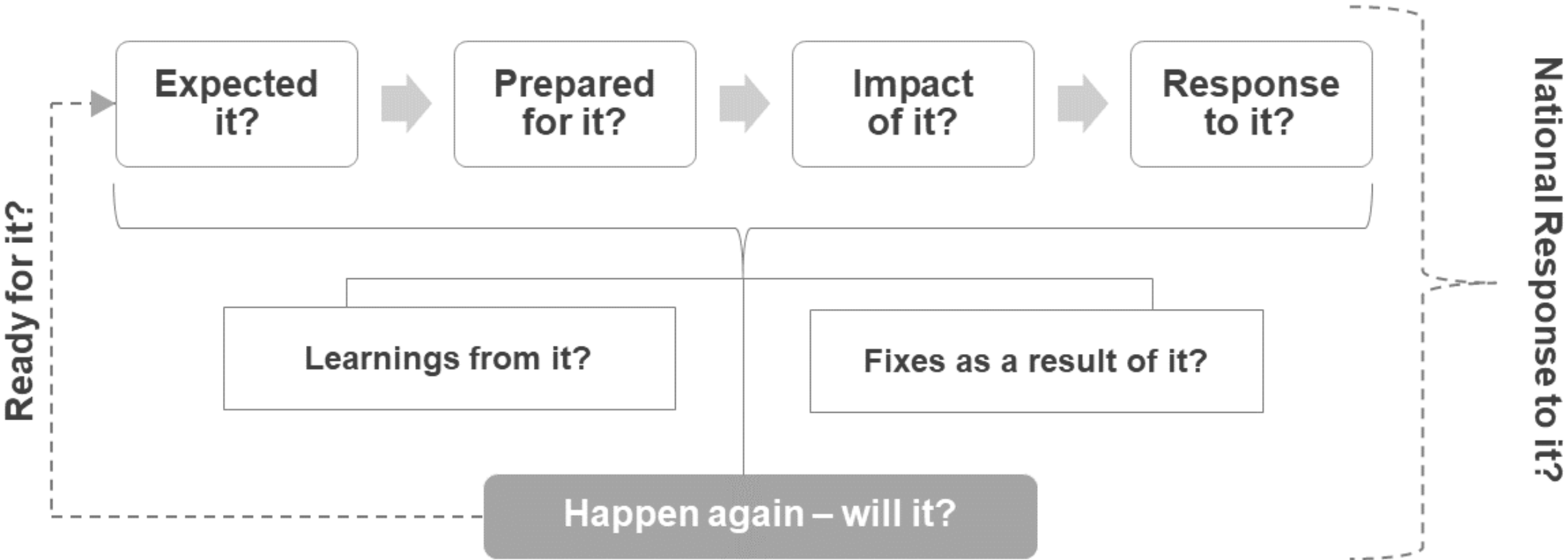
Business Impact of COVID-19 & Beyond

Based on interviews with Sri Lanka's Top Business Leaders,
MTI's International Experience & Thought Leadership



- This study is based on one-on-one interviews with 100 of Sri Lanka's top Business Leaders - finding out how COVID-19 impacted their businesses and how they responded.
- The respondents include Chairpersons, Directors and CEOs - from blue-chip companies, multi-nationals, large local conglomerates and industry majors, representing a diverse range of industries.
- It has been supplemented with MTI's research, thought leadership and experience – benefiting from our experience of working on assignments in 47 countries over the last 23 years.

MTI's Crisis Response Model



COVID-19: Expected it?

- Nobody expected a lifestyle, livelihood and economic disruption of this magnitude – as a result of a health crisis.
- A few of the Business Leaders (with active involvement in capital markets) had expected an economic crisis – given that a market correction was due, a decade after the Global Financial Crisis in 2008 and the Asian Financial Crisis a decade prior to that in 1997. But not a crisis of this magnitude!
- Businesses with supply chain exposure to China had sensed some early warning signs.
- Consequently, they responded in two ways i.e. searching for alternate supply sources (e.g. co-sourcing from the likes of India and Vietnam) and by increasing their inventory levels.
- Given that previous health crises such as SARS, MERS, Ebola etc. were confined to a particular geographical region (and that too far away from Sri Lanka), most did not expect a pandemic at their door step!
- Some businesses started sensing a possible supply chain disruption around January 2020 and had started working on supply chain solutions.
- Interestingly one business had received an unusually large order for a personal hygiene product in December 2019, but did not read into it!



This global economic (and soon-to-be ecological) correction was coming. COVID-19 is the straw that broke the camel's back!

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COVID-19: Prepared for it?

- Given that none of the businesses expected a crisis of this magnitude, they were not fully prepared to deal with it.
- The level of preparedness and the way in which businesses immediately responded, varies across the different type of businesses.
- Multi-nationals, Larger Corporates, Banks and Telcos - relied on their formalized BCPs (Business Continuity Processes) and were able to execute these.
- By contrast, the mid-sized local groups relied more on the agility and resilience of their staff, which received high levels of commendation and appreciation from their Directors and CEOs.

MTI Perspective

- The agility and resilience of employees, as demonstrated in many previous crises, needs to be lauded and real life cases published.



Safety, Health and Well-being of Staff should be the first priority in a crisis of this magnitude.



Amal Cabraal
Chairman: Lion Brewery,
CIC Feeds & Silvermill



Our flexible culture, the resilience and agility of staff is what helped us to effectively respond to a crisis of this magnitude.



Shehara Jayawardana
Group Joint MD: McLarens Group

COVID-19: Impact of it?

- Liquidity is the killer!
- The Power & Pitfalls of Working from home
- More work can be done with less resources
- SMEs, the lifeblood of the economy, at risk
- Competing for a shrunk wallet
- Look beyond Core Domain Capabilities

Liquidity is the killer!

- Businesses with high gearing and extended delays in collecting dues from their customers, were considered to be at the highest risk of closure.
- Some companies, at the expense of new business generation, have shifted their entire focus to collections, which under the circumstances would be a prudent approach.

MTI Perspective

- Responsibility for working capital (in most businesses) tends to be fragmented and handled in silos, between Finance, Sales and Supply Chain. In times of crisis, this could be a sub-optimal approach, which therefore needs a holistic approach.
- Consider the appointment of a full-time / dedicated 'Working Capital Manager' (covering the entire value chain) – for the next 6 to 12 months.

“Growth will be challenged in the post COVID-19 phase. Liquidity and cost optimization will be critical through this period. Our investment in digital infrastructure provides a solid foundation.”



Lakshman Silva
CEO: DFCC Bank



The Power & Pitfalls of Working from Home

- Operationally, the big revelation for businesses has been the benefits of WFH.
- As a result of WFH, there have been three realizations for Business Leaders:
 1. Work can be done with less resources – than what current structures / headcounts suggests.
 2. Physical Offices can be smaller in size – considering reduced traffic and shifting to hot-desking.
 3. Meetings can be done within a shorter duration.
- Consequently, several CEOs are considering WFH arrangements and virtual meetings – as a regular feature of life after lockdown.
- From an employee's perspective (based on other MTI studies carried out):
 - The work load of those WFH during the Corona Crisis has significantly increased.
 - The dividing lines between work and family time has got blurred. Employees also have to deal with the additional challenges of a '24/7 full house', the hassles of procuring their life basics and the fear of business sustainability, job losses and pay cuts.

The Power & Pitfalls of Working from Home

- All of this has significantly increased employee stress levels, the consequence of which may not show up on short term performance, but will certainly have a laggard effect.
- Of course, the above applies mainly to knowledge-based work in a corporate setting, not forgetting the millions of daily wage earners sweating it out for a meagre pay – who importantly make up the supply chain and demand chain that we profit from.

MTI Perspective

- For WFH to be effective there needs to be an enabling home infrastructure (e.g. a work station, posture-friendly seating, ventilation, lighting and work environment ergonomics).
- Plus, do not underestimate the importance of in-person socializing on a regular basis.

“The way knowledge-based work is traditionally done in a physical office environment will be challenged.”



Krishan Balendra
Chairman: John Keells Holdings

More work can be done with less resources

“Process Rationalization and Local Value-addition will be critical for the Healthcare industry.



Damayanthi Rajapakse
CEO: Analytical Instruments

- Arising from their experience of employee work performance during lockdown, nearly half of the CEOs felt that their organizational workload could be done with less resourcing.
- However, if this period would be representative of ‘normal’ times (to take decisions), this needs to be challenged.
- Furthermore, even if organizations can do with less staff (which ideally should have been figured out long before COVID!), any such decisions now can meet with severe socio-economic consequences.

MTI Perspective

- In good times, organizations tend to put on ‘fat’ – because when the going is good (with profits being made) it is easier to hide inefficiencies. When hit with a crisis of this magnitude, the ‘slack’ gets exposed.
- However, instead of making reactive decisions, undertake a ground-zero based scientific capacity assessment – considering the expected scenarios and corresponding strategies.

SMEs, the lifeblood of the economy, at risk

- The focus of this study was on Large Corporates, some of whom depend on SMEs as part of their supply and / or demand eco-system.
- Some of these CEOs expressed grave concern over the severe impact of the crisis on SMEs, whom they felt may not be able to withstand the blow.
- Chambers representing the SMEs too have expressed their concerns with regards to the handicaps faced by this sector in accessing bank credit.

MTI Perspective

- Given the socio-political implications of SMEs, some form of relief can only come from a joint effort of the Government, the Banks and the Corporates who rely on the SMEs for their supply and /or demand chain. With all these 3 stakeholders having their own / other challenges to deal with, it will be a stretch.



The local banking system must sincerely engage with our SMEs and work together on economic prosperity.



W.K.H Wegapitiya
Chairman: LAUGFS Holdings



Multiple industries and offerings will have to finally compete for the shrunk consumer wallet.



Sanjeev Jha
MD & CEO: Fairfirst Insurance



The post COVID-19 changes in leisure and business travel behaviors will determine how fast and how well airlines will recover.



Vipula Gunatilleka
CEO: Sri Lankan Airlines

Competing for a shrunk wallet

- As the Consumer's wallet shrinks, they will be forced to make tough choices with their shrunk income, in particular the discretionary income.
- For example, do they pay their life insurance premium or the car lease rental? Pay the credit card bill on time (and avoid interest) or take that holiday? Businesses too will need to make such tough choices.

MTI Perspective

- Businesses need to look beyond traditional industry boundaries, and instead compete with cross-categories for a share of wallet. Which means, the value proposition and go-to-market approaches will need to be aligned to this new reality.

Look beyond Core Domain Capabilities

- Businesses that were largely focused on core domain capabilities, as a result of COVID-19, have been challenged to quickly acquire, improve and adapt to adjacent capabilities.
- For instance, retail chains (thus far focused largely on their core retailing capabilities) have been challenged to improve their logistics and e-commerce capabilities.

MTI Perspective

- Map the entire eco-system that your business serves, from the supply chain to the 'last mile' of your demand chain, both 'brick & mortar' and virtually.

COVID-19 has forced us to re-think and re-model our businesses, so that we remain competitive.



Aravinda de Silva
Deputy Chairman: Ideal Holdings



COVID-19 has reduced carbon emissions, but that's 'choking' the global economy!

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COVID-19: Response to it?

- Costs: Shoot at Sight!
- Pay-cuts: Symbolic or Sustenance?
- Head Counts appear to be intact – but for how long?
- COVID-19 propels the digital agenda!
- More M&A activity expected
- Sincerely engaging stakeholders in a crisis
- Maslow's Hierarchy re-visited!

Costs: Shoot at Sight!

- Cost Cutting (described in many different ways) appears to be an immediate response of almost all (90%) of the businesses.
- To about 1/4th of businesses, this appears to be their only 'Master Stroke' to survive the crisis. In such cases, we sensed a 'kneejerk' reaction to cost reduction.
- It was encouraging to see a small minority (about 1/5th of businesses) taking a more strategic approach to cost – by analyzing 'cost drivers' as the basis of cost decisions.

MTI Perspective

- If businesses had an optimal cost structure (in non-crisis times), then in a crisis you will only need to treat the 'first-aid' and 'emergency' costs. All other costs should ideally be intact.
- However, because in 'good profitable times' costs are not adequately scrutinized, it has to be painfully chopped off now.

“ Process Re-engineering is the route to sustainable cost reduction. To do so, businesses must engage in cross-industry learnings, not just their own industry.



Dinesh Weerakkody
Chairman: Hatton National Bank

Pay-cuts: Symbolic or Sustenance?

- A diverse range of approaches were adopted by businesses, which includes:
 - No choice but to make substantial pay-cuts – to varying degrees across the organization. Some of them have agreed to pay back these cuts – if and when the business recovers its lost ground.
 - Make a symbolic cut (with board and management taking the lead) – even if these businesses can financially withstand the crisis.
 - Cut off the frills (like bonuses, over-time payments etc.) and pay the basic.
 - Take a moral stand that they will not cut employee salaries.
 - Prudent to wait for another 3 to 6 months (to assess the financial impact on their businesses) and then decide on the approach.
- Interestingly, a very small minority (under 10%) had paid their April Bonuses, some even paid additional allowances for working during the crisis period.
- In cases where CEOs sincerely engaged with their staff to discuss how they should respond to the crisis, there were instances of staff willing to take a voluntary pay-cut.
- In companies that did not resort to pay-cuts (and where CEOs demonstrated a genuine effort to protect employee jobs), there was a very high level of employee engagement.
- In one such case, the employees took it upon themselves to get curfew passes and get their factories opened. In another, Managers performed the role of Security Guards and Janitors in a showroom.

MTI Perspective

- When you involuntarily cut employee remuneration, you are cutting a lot more than money. Understanding the employee psychology and addressing the associated concerns is important. This is also a good time to consider a higher % of performance-based variable pay.

Head Counts appear to be intact – but for how long?

- With the exception of terminating contractual staff, none claimed to have retrenched payroll staff.
- We were told that as per Sri Lankan labour laws, the retrenchment of payroll staff and reducing their salaries, is technically not possible?
- However, in industries where their entire demand chain has come to a grinding halt (like Tourism and Apparel), some tough decisions may be inevitable.

MTI Perspective

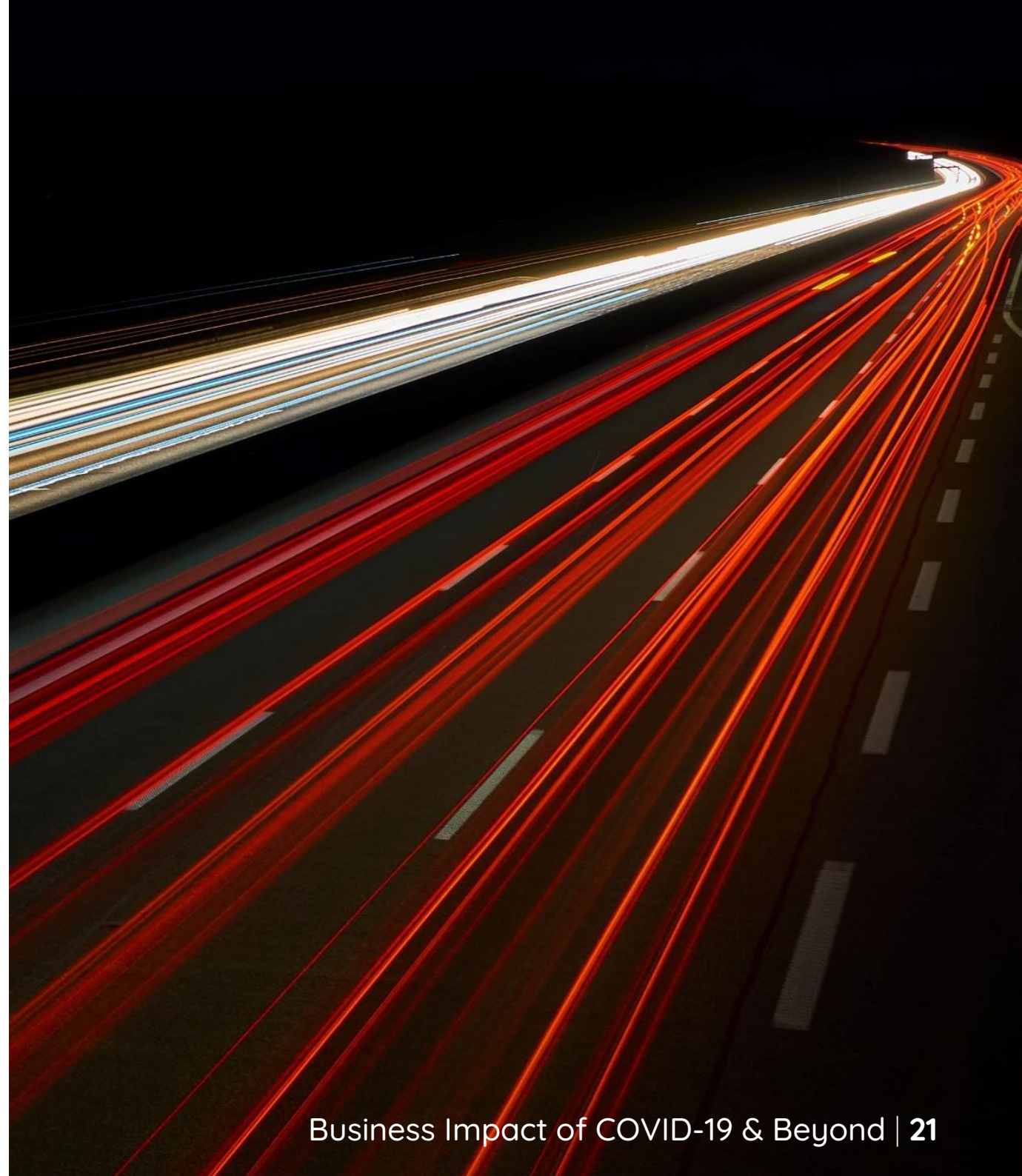
- Head Count is a function of Business Strategy and Processes. Therefore, first rationalize and take the 'slack' off your strategies and processes, then address the 'slack' in the headcount. Otherwise, you may end up with imbalanced cuts in your headcount / structure, which can cripple your operations.

COVID-19 propels the digital agenda!

- There has been a quantum increase in digital adoption (in both B2C and B2B), in domains as diverse as Super Markets, Higher Education, Corporate Banking, Commodity Trading – to name some.
- Almost all the respondents felt that COVID-19 has significantly advanced their digital agenda and created internal pressure to activate their digital initiatives.
- The 126 year old Colombo Tea Auction going online - stands out as a significant achievement and signals what necessity can do!

MTI Perspective

- Businesses must optimize this opportunity to 'lock-in' these digital habits – across all stakeholders it deals with.





Technology Adoption and Women Leadership Power has enabled many Sri Lankan businesses to mitigate the impact of COVID-19.



Dr. Harsha Cabral, PC
Chairman: Tokyo Cement



COVID-19 has successfully triggered the online tea auction that suffered from many years of inertia.



Jayantha Karunaratne
Chairman: Imperial Teas & CTTA



Digital transformation of our educational and healthcare eco-systems will significantly improve quality of life and national prosperity.



Rohan Fernando
Chairman: Sri Lanka Telecom & HVA Foods

More M&A activity expected

- A heightened level of M&A activity is expected, due to the following reasons:
 - A significant number of mid to large businesses will be impacted by significantly reduced revenue (therefore profitability), poor liquidity and / or being highly leveraged.
 - Some industries which even prior to COVID-19 were highly fragmented, lacked critical mass and / or capital adequacy e.g. Finance Companies, Insurance?
 - Business Groups (with access to funding) and HNIs looking for opportunistic low valuations to acquire.



MTI Perspective

- In the current environment, any such M&A activity will lead to serious rationalizations. Further, some of the impacted (e.g. the smaller Finance Companies) may have very little assets that are worth acquiring. For a global perspective of M&A, refer to this [latest report](#) by MTI Corporate Finance.



Post COVID-19 will see more M&A activity – that Smart Investors will optimize.



Ashok Pathirage
Chairman: Softlogic Holdings



There is no better time to acquire – with attractive valuations.



Nimal Perera
Chairman: NP Capital



Global Stock Markets tends to be 6-12 months ahead of Economic Recovery.



Rusi Captain
Director: CIC Holdings and HNB

Sincerely engaging stakeholders in a crisis

- About 1/4th of the CEOs interviewed had personally taken the lead to meet (in person or virtually) with their two main stakeholders i.e. Staff and Customer (mostly B2B).
- They felt it was important to sincerely relate to them in times of distress and did so without expecting any immediate commercial benefit. However, they were all confident that both Staff and Customers will remember this gesture for a long time.
- They also emphasized the need to empathize with the deep seated anxieties that these stakeholders would be experiencing as a result of this unprecedented crisis.

MTI Perspective

- Such a sincere initiative coming directly from the CEO sends a strong message across the organization. It finally boils down to leadership values truly lived, not just confined to flashy annual reports!

“Businesses must be open-minded and agile to collaborate with smaller players in the eco-system, especially ones serving the last mile.”



Kasturi Chellaraja Wilson
MD: Hemas Pharma, Logistics & Maritime

“Our best defense in these tough times is the investment we have made in our people and their willingness to go that extra mile.”



Manohara Athukorala
CEO: Toyota Lanka

“ Sincerely engaging with and responding to Clients in such troubled times will be appreciated for a long time.



Priyantha Talwatte
CEO: Nations Trust Bank

“ The need for a Relief Fund or a Wage Support Insurance Scheme for hospitality staff and businesses is critical.



Sanath Ukwatte
Chairman: Mount Lavinia Hotel



Maslow's Hierarchy re-visited!

- Almost all B2C businesses interviewed reported significant changes in consumer behavior (within their domains) – covering the full lifecycle of on-boarding, purchasing, payment and importantly usage.
- Businesses in Education, Grocery Retailing, Financial Services and Telco reported significant changes in consumer behavior, that had forced them to make quantum adaptations fast.
- Underlying these consumer behavioral changes was the radical change in lifestyle arising from the lockdown. Consumer Needs took preference over Consumer Wants, reflecting in essential food being prioritized, increased use / spend on broadband etc.

MTI Perspective

- In this post COVID-19 phase, businesses must continuously track consumer behavior and not assume that lockdown consumer behavior (in extreme conditions) will be the 'New Normal'.



Given the number of people confined to their homes, there is an opportunity to make 'Staycations' more exciting!

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COVID-19: Learnings from it?

- Virtually a lot can be done!
- Re-structure when the going is good
- Always Lean
- Greater Focus on Supply Chain Management
- Change the lenses with which you see your markets

Virtually a lot can be done!

- What was once thought impossible or impractical is now being done virtually – from Board Meetings to Job Interviews, from Training Programs to Regional Sales Meetings.
- Very interestingly, there is wide spread admission that it is getting things done in a much shorter duration, given the interfaces are far more focused.
- However, the need to mix this kind of virtual interface with in-person interfaces (that promote social cohesion) has been expressed.

MTI Perspective

- Lock-in these as healthy habits – before we start getting back to old ways!

“Advances in Digitization and Broadband have made it possible for many businesses to make the transition to working remotely and to do so efficiently and seamlessly.



Supun Weerasinghe
Group CEO: Dialog Axiata

Re-structure when the going is good

“What if?’ & ‘Why not?’ – the two questions we must challenge ourselves with.



Vish Govindasamy
Group MD: Sunshine Holdings

- There was admission that for some businesses, it may be too late to re-structure – given the kind of blowback these businesses have been dealt with.
- “Much like the Corona Virus, businesses with low immunity are the ones that will suffer most” as articulated by a Non-Executive Director.
- Therefore, some Business Leaders raised the question if re-structuring should be done in good times?

MTI Perspective

- In the case of the human body, if you exercise regularly, watch your diet and do your annual medical check-ups - you reduce the probability of shocking blows. Similarly if businesses apply the same disciplines, they can minimize the chances of drastic re-structuring.

Always Lean

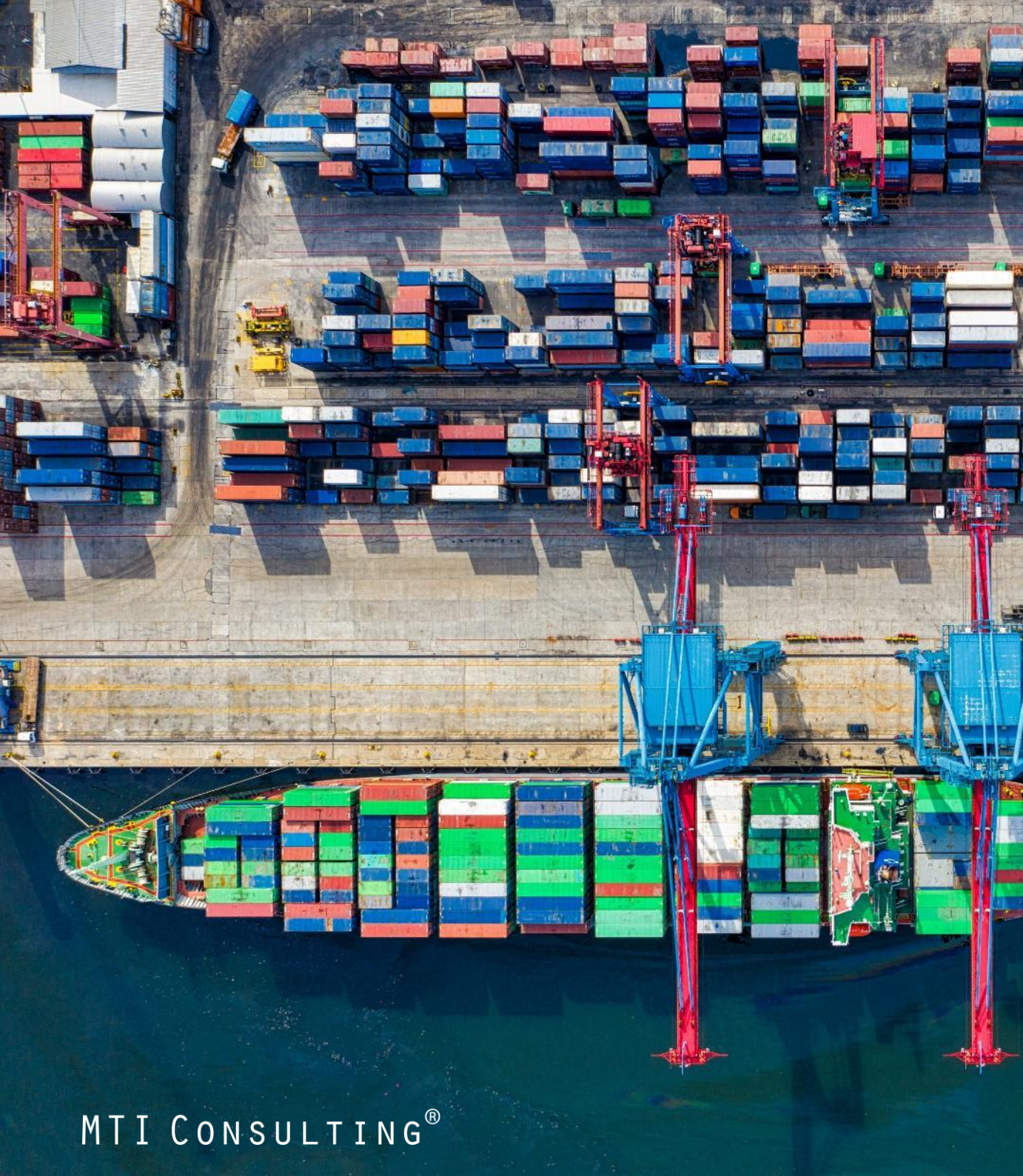
- Almost half of the Business Leaders recognized the need to have an 'Always-Lean' mode and not just in response to a crisis.
- They also recognized that this needs to be driven from the Board & C-suite and needs to go beyond corporate rhetoric.

MTI Perspective

- To be 'Always-Lean', in most organizations requires a culture change deeply embedded into the values of the organization and the leadership.
- Of course, it needs to be supported with a highly rational and analytics based methodology.
- 'Why?' and 'So What?' are two powerful questions to drive this change.

“Every dollar spent must be linked to the value delivered – in an environment where cost management is critical.”

Hari Selvanathan
Deputy Chairman: Goodhope



Greater Focus on Supply Chain Management

- The following two concepts, considered as best practices, were challenged during the COVID-19 crisis:
 - Just-in-Time (JIT)
 - Rationalized Supply Chain – in some cases Single-Sourcing
- Businesses that sensed a possible crisis (between Nov. 19 & Jan. 20) were able to work on alternate sourcing, but for those requiring recurring high volumes it was not adequate.

MTI Perspective

- Develop a Risk Management Framework for Supply Chain Management – that covers the entire eco-system, including the key supply chain to your supply chain (S-1).

Change the lenses with which you see your markets

- Most businesses tend to view their market within the boundaries of their industry. This works well in times of stability.
- During the lockdown, businesses were challenged with drastic changes in consumer behavior – the kind they have not encountered before. From online ordering to changed dietary habits, from in-home entertainment to online education.
- This, of course, has challenged businesses to re-think their conventional approaches to business practices – from supply chain to ‘last mile’ fulfillment. Businesses also have found themselves competing in cross-categories – in trying to get a share of wallet.

MTI Perspective

- View markets initially from the broader perspective of the economy, the consumer’s lifestyle & livelihood, the broader supply chain and channel.
- Integrate this into your annual business planning process and challenge your teams to develop strategies linked to this perspective.





Local value additions and driving a highly innovative culture will be the way forward.



Chanaka Yatawara
Group CEO: United Motors



In a crisis, your conventional Supply Chain and Channel strategies are all obsolete – you need to think on your feet as every day is a new challenge.



Nushad Perera
Chairman: Lanka Sathosa



Businesses will be challenged to re-think the conventional approach to demand forecasting, go-to-market and resourcing.



Vidya Sivaraja
MD: Fonterra Sri Lanka & Indian Subcontinent



**Soon the face masks will come off,
but businesses will have a lot more to unmask!**

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COVID-19:

Fixes as a result of it?

- Stress Test Business Models
- Risk Manage via Focused Diversification
- Challenge Marketing Spends for ROI
- Critical KPIs that need greater focus
- Self 'Insurance' for High Impact Crisis
- Boards needs to ask the hard questions, more often
- Experiment Flexible Working Models

Stress Test Business Models

- Most Corporates claim to have Business Continuity Processes (BCPs) and Risk Management Frameworks in place and effectively practiced.
- Whilst the larger Corporates tend to rely on the processes to ensure contingency management, the mid-tier Corporates tend to rely more on the initiative and agility of their management team.
- However, in both such cases, their business models were not adequately stress-tested.
- For instance, what if demand or supply comes to a grinding halt? The very process of asking the question and reflecting on it, better prepares a business for a crisis.

MTI Perspective

- This should be part of the Board Agenda and much like BCPs, it should be put into practice on a simulated basis.

“Business Models will need to be stress-tested for resilience, more often.”



Suren Fernando
CEO: MAS Holdings

Risk Manage via Focused Diversification

“The need for a balanced business portfolio through Focused Diversification is clearly evident.



Rushanka Silva
Managing Director: Indra Traders

- Businesses largely confined to one industry, particularly ones that were adversely impacted by COVID-19, expressed a desire for diversification.
- If the intent is to diversify by being in very diverse industries, then it needs to be weighed against the dilution of focus by such a move.
- However, if diversification is by strategic investments, then the above argument is far less applicable.
- As markets mature and get more specialized, businesses will need to narrow their focus, as could be seen even in emerging markets like India.

MTI Perspective

- Before moving across industries, map your entire domain eco-system (end to end), including all the converging domains, for opportunities.

Challenge Marketing Spends for ROI

- Consumer lifestyles, buying behaviors and usage habits have all undergone significant change.
- There is also a somber mood that prevails among consumers – given multiple life challenges that they are grappling with.
- Given the above, the A&P (Advertising & Promotional) strategies and practices of most businesses have been altered in response.
- Much like in any crisis, A&P has been on top of the list of ‘cuts’, this time it is likely to be deeper and for longer!
- Interestingly on this occasion, several CEOs have raised serious questions on all types of marketing spend, the main ones being:
 - Are we over-spending on good times?
 - Are we holding Marketing responsible for ROI – like we do for any such ‘big ticket’ items?

MTI Perspective

- Instead of treating A&P, Sales Force and Channel in silos, focus on Demand Generation (the end result). In the case of most e-commerce businesses, the dividing lines between the 3 ‘means’ has largely converged.
- Challenge the notion of a routine annual A&P budget – because this financial year based spending has no link to the customer acquisition, retention and optimization cycle.

Critical KPIs that need greater focus

- Two types of businesses that have been most impacted by the crisis are:
 - Those with very high fixed costs – with relatively weak links to bottom-line performance.
 - Those, despite healthy profitability (in conventional terms), have very weak free cash flows.

MTI Perspective

- Three Critical KPIs to be monitored regularly, which should ideally be part of the CEOs' personal dashboard:
 - Fixed Costs – as a % of Total Costs
 - Free Cash Flow based Break-even
 - The use of 'Performance-based Pay' and 'Pay per Use' principles can help achieve healthily outcomes on the above KPIs.



Self 'Insurance' for High Impact Crisis

MTI Perspective

- Consider a Co-contributing internal fund – that acts as an insurance for income loss - in case of such a high impact crisis. If unutilized, it could be cashed-in at the point of resignation.

- Some large businesses have been criticized for pay cuts, considering mass-scale retrenchment and even asking the Government for a bail out.
- The argument being, you make so much money for so long, surely can't you tide over a few months of paying at least the basic salary?
- Of course, this is a one-sided outside-in view, therefore it is also important to understand the views and circumstances of these large companies.
- The intent of raising this point, coming from a handful of respondents, is not to criticize these large companies, but to look for a future solution.

Boards need to ask the hard questions, more often

- Board Directors, interviewed as part of this study felt the need for greater focus on Business Model and Strategic Risks.
- Some acknowledged that matters relating to Governance and Compliance tends to take up most of their energy.

MTI Perspective

- Consider two types of board meetings, one for routine performance monitoring, governance & compliance and the other for Business Model & Strategic Risks (including the related performance aspects).
- Develop a specific checklist for the latter, requiring each board member to individually assess the business model & strategic risks and how well the business is mitigating these.





MTI Perspective

- Along with a lean culture, driving the habits of hot-desking and being paperless will enable the new work arrangement above.

Experiment Flexible Working Models

- WFH on a full-time basis, as pointed out earlier in the study, may not be suitable for all. Neither is physically commuting to office daily.
- Most Corporate Offices are located in Colombo, where real estate prices are the highest. A significant % of staff tend to live in the outskirts and spend considerable time commuting to office.
- As pointed out by an always future proofing CEO: Consider setting up (or ideally on an outsourced basis) lean office space in the outskirts of Colombo – which can significantly reduce travel time and still provide employees a conducive working environment that can be alternated with WFH.



**When confronted with a Crisis, there is a choice to make.
Be a Cry-sis or be a Try-sis**

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COVID-19: National Response to it?

- Government appreciated for its decisive handling of the crisis
- Import Restrictions is an emergency treatment – not a protectionist privilege
- Moratoriums need to consider the Depositor who is effectively funding it
- Re-strategize Exports – in readiness for a ‘Global Re-set’

Government appreciated for its decisive handling of the crisis

- The effective handling of the pandemic by the Government (via its military and healthcare eco-system) came in for commendation by several Business Leaders.
- In terms of enabling operational logistics for factories to operate, businesses did encounter 'road blocks' early on, which appears to have been subsequently better enabled.
- Whilst a few kept on complaining and criticizing the state of affairs, the smarter businesses found practical ways to work around it and get their operations off the ground.
- In the words of an export-industry CEO "these are unusual times, so you need to find unusual ways to survive and thrive!"
- With regards to the gradual easing of the lockdown, the majority of the Business Leaders felt it was a prudent decision - considering the impact it has on both the livelihood of the masses and the continuity of their own business operations. Of course there are a few who argue that we should wait until 'Corona' has been banished for good!
- In the words of a Group CEO "In life we have to make choices. Each of these choices has an opportunity cost and risk attached to it. These are calculated judgement calls that we need to make. Only when you execute your decisions will you know how it works! We need to learn from each of these experiences and sharpen our response mechanism."

MTI Perspective

- The Government should consider digital-optimization of the full crisis lifecycle, from early warning systems to police passes to contact tracing.

Import Restrictions is an emergency treatment – not a protectionist privilege

MTI Perspective

- Policy making and economic strategizing needs to be kept flexible and fluid – given that those living today have not handled a crisis of this magnitude.

- The restriction of imports is considered a necessary short term measure and it is hoped that local industries will see this as an opportunity to ‘up their game’ and not consider it as a protectionist privilege afforded.
- This policy needs to be reviewed in the context of globalization and the principle of comparative advantage.
- The rising wave of economic nationalism and protectionism needs to be addressed cautiously and prudently.

Moratoriums are largely funded by depositors

- The financial services sector is gravely concerned about the impact of the moratorium on their liquidity positions.
- They point out that approximately 85% of the money they lend is that of deposit holders (including senior citizens) - whose interest they feel is not getting due attention.
- Due to the impact of the moratorium on liquidity, some of the smaller finance companies (whose financial position was weak pre-COVID), may face 'life threatening' conditions!
- This could create panic among depositors and threaten even the relatively larger institutions.
- The moratorium also delays the process of figuring out the impact of the crisis on the 'going concern' of the borrowers. This could potentially result in a massive spike in non-performing assets when the moratorium ends, the knock-on effect of which could be disastrous!



MTI Perspective

- Consolidation of the NBFIs needs consideration.
- Banks need to 'innovate' ways to sense the financial health of their clients during the moratorium and not wait until it ends for 'surprises'!
- Consider incentives to encourage these clients to pay at least part of their dues during the moratorium period?

Re-strategize Exports - in readiness for a 'Global Re-set'

- Two of Sri Lanka's main foreign exchange earners have been significantly impacted by this crisis i.e. Apparel and Tourism.
- Both industry groups are tirelessly working on short term survival strategies and then (in the medium term) hoping for benefits from the global economic recovery.
- For Sri Lanka's apparel industry, crisis management (of this magnitude) is a new experience – having been impacted on both the supply chain and demand chain.
- By contrast, Sri Lanka's tourism industry has weathered many storms in the past. Some tourism related CEOs were of the opinion that their learnings and coping mechanisms (on the operations side) may be of benefit to the apparel industry.
- Sri Lanka's tea industry is expected to come out largely unscathed, while the rubber industry is expected to benefit from the increased consumption of personal protection products.

“The global healthcare industry is poised for high growth. We need to strategically link Sri Lanka's rubber industry through this eco-system for high value-added products.



Lalith Hapangama
Chairman: Lalan Rubbers

“Export-led FDIs and diversification of our export basket will be the game changers.



Prabhask Subasinghe
Chairman: Export Development Board

As the global tourism industry gets re-set for the new normal, there will be new opportunities that we must reach out to.



Shiromal Cooray
Chairman: Jetwing Hotels

Re-strategize Exports – in readiness for a ‘Global Re-set’

- The demand for ICT services, both locally and globally is expected to see a quantum increase – due to focus on digitization and digital transformations.

MTI Perspective

- Given the pervasive global impact of this crisis, a ‘Global Re-set’ is likely to take place and this would be of advantage to nations like Sri Lanka.
- To benefit from this, Sri Lanka needs to radically re-strategize, not just make incremental changes to its national export strategy.
- For instance, an ambitious initiative to optimize the strategic geo-location of Sri Lanka for interim value-addition and enabling FDIs to build scale to meet global demands.

COVID-19: Happen again – will it?

- In the near term, the focus of Governments and Businesses (around the world) will be on coming out of the crisis, effectively ‘damage control’.

MTI Perspective

- We should prepare for a ‘New Normal’ - expecting more ‘invisible enemies’, more frequently and perhaps more damaging? Here’s why:
 - The global population which was only 1.65 billion in 1900, today stands at 7.7 billion and expected to grow to 11.2 billion by 2100.
 - This means the need for more space to live, more land to produce food, more space to travel – all this additional space is coming from forests and jungles (which is not meant for humans!).
 - The prosperity of our economies, our enterprises and our employees are all addictively dependent on consuming more and more.
 - This in turn means more space for more production and more pollution.
 - The side-effects of all of the above is why we need to be always ready for the next crisis!



**Bird flu, Swine Flu, Mad Cow Disease, COVID-19.
See a common thread?**

- MTI -

COVID-19:
**Ready for the
Next Crisis?**

- Imagine if a 'COVID-20', attacks the World Wide Web?
- Its an 'inconvenient thought', but worth thinking about.

“ Build team capabilities to effectively deal with any crisis. That’s the only thing you control. You wouldn’t know what’s next in terms of crisis but you better know how to respond.



Kishu Gomes
Celebrity CEO

“ Hope is not a strategy. What are you doing today – to ‘future proof’ your business?



Linda Speldewinde
Founder & Chairperson: AOD

“ Lockdown was a period of ‘Survival of the Quickest’



Preethi Jayawardena
Deputy Chairman: Commercial Bank



**Global Financial Crisis was a 'circuit breaker' caused by the banks.
Currently we are experiencing a 'circuit breaker' caused by a virus.
Imagine when Mother Nature's 'circuit breaker' is applied on us!**

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Consulting Practices:

-  **Strategy**
-  **Go-to-Market**
-  **Operations**

-  **HRM**
-  **Corporate Finance**
-  **Digital & Analytics**

Experience



Regional Offices

Middle East & Africa

Bahrain

South Asia

India, Sri Lanka & Bangladesh

Asia Pacific & Oceania

Australia

Europe & Americas

United Kingdom

Associates in:

- | | |
|-------------|--------------|
| Afghanistan | Kyrgyzstan |
| Angola | Moldova |
| Armenia | Namibia |
| Argentina | Nepal |
| Bhutan | Norway |
| Belarus | Pakistan |
| Belize | Palestine |
| Bulgaria | Singapore |
| Cameroon | Sweden |
| Denmark | Switzerland |
| Ethiopia | South Africa |
| Georgia | Tajikistan |
| Ghana | Tanzania |
| Hong Kong | Turkmenistan |
| India | UAE |
| Italy | Ukraine |
| Kazakhstan | Uzbekistan |
| Kenya | Vietnam |
| KSA | Yemen |

*These are organizations for whom MTI has carried out projects – at some point in time during the last 23 years.

ANALYZE > STRATEGIZE > REALIZE