GEARING FOR THE UPTURN

Posted on

Economic downturns are not new; from the tulip bubble in the mid 17th century, through the Great Depression in the 1930’s until the recent dot com bubble, markets have survived them in the past. The world is currently going through yet another slowdown and there will invariably be many such challenges in the future. However, what many seem to have forgotten is that these downturns, no matter how bad, will not last. True to the proverbial silver lining in the dark cloud, for businesses, there is no better time to rationalise their profile, rectify the inefficiencies and gear up for the upturn. It is time for organisations to shape up and become “trim and fit”. At a recent evening meeting organised by MTI Consulting, titled ‘Tough times, tough strategies – Are you ready for the upturn?’, a distinguished panel examined the current economic downturn from a macro economic as well as on an organisational level. They shared their experiences on how to weather the downturn and laid down their formula to gear up for the upturn that will inevitably come.

By Thilini Kahandawaarachchi

Are we really in tough times?

The economic slowdown has become a mantra that is repeated, making it necessary to examine whether we are really in tough times. According to Hilmy Cader, Chief Executive of MTI Consulting, although Sri Lanka is an island, we cannot isolate ourselves from the rest of the world; the global economic crisis has to be looked at both from a local as well an international point of view.

From a global perspective, rich nations are indebted and are tackling deficits. With these advanced economies shrinking and economic growth at approximately 0.5%, an all time low since World War I, the global economy is officially in reverse gear. Growth if any, is projected to take place in the developing parts of Asia, Middle East and certain parts of Africa. There have been record numbers in redundancies; currently in the USA, one in twelve people is redundant and the International Labour Organisation forecast increased redundancies with the best-case scenario being 18 million, while the worse case predicts a high of 51 million redundancies by the end of year 2009 and possibly 230 million by the end of year 2010. Even in the best-case scenario, these are gloomy numbers, says Hilmy Cader. As a result of the impact of the economic slowdown on developed economies, consumers within those countries are facing credit constraints and sales have dropped all over the world. The low growth rate and the tough times faced by the developed world becomes a concern for the developing markets as those are some of the key consuming markets for a majority of products of Asia, Africa and the Commonwealth of Independent States (CIS) countries. Thus, when the developed markets have a crisis at home, it invariably has an impact on what they consume and the aid that they provide to developing nations. Hence, not just the developed world, but consequently the developing world is also facing a crisis. According to Hilmy Cader, examples can be cited from all over the globe to illustrate the kind of crisis both developed and developing markets are currently facing. In the USA, which has hitherto been the biggest auto-market in the world, car sales are down to an all time low, for the first time ever in 2008. There have been more new cars sold in China than in the USA. In the 3rd quarter of 2008, Volvo truck sales in Continental Europe were as low as 115 units as opposed to 41,970 units in the 3rd quarter of 2007.

Drawing a scenario from the developing world, Botswana, which is dependent on diamonds, is considered to be one of the strongest and most developed economies in Africa. However, De Beers, a leading diamond company recently announced the clo-sure of almost half of their mines in Botswana as a result of the drastic drop in diamond sales.

In major economies such as Russia, China, Brazil and India that were considered to be the growth engines of the world, all stock markets have gone down. Indian exports were down 16% as of last quarter and they expect the numbers to go up to about 22-23% in the first quarter of 2009. In Pakistan, which exports furniture, they have not just had a drop in sales, but have had a complete full stop in sales because export orders have completely stopped. Therefore, the problem is not out there in the West or just in the developed parts of the world, it is far closer home.

All these diverse stories from across the world indicate that productions are down and the bottom lines are bleeding. Markets are melting, across developed parts of the world and virtually all markets are down, from 35-40%. Some of the giants such as the Citi group, AIG and Barclays are currently on life support. So, according to Hilmy Cader, globally the name of the game seems to be “capitalise profits and socialise losses” and there is no question, globally we are in very tough times.

The local situation

In Sri Lanka approximately US$ 3.5 billion is earned through foreign remittances and about US$ 0.5 billion is remitted in informal transfers. Since the impact of the global economic slowdown on unskilled labour is minimal, the impact on Sri Lankan unskilled labour is likely to be limited. On the other hand, in markets such as Dubai there has been a considerable number of retrenchments in the semi skilled category and that is bound to affect remittances coming into Sri Lanka from its diaspora.

The apparel sector amounting to approximately, US$ 3.3 billion is one of the key income generators for Sri Lanka. In the last quarter most of the US fashion retailers were down from 8-12% and with these numbers constantly increasing, the impact on supply chain countries such as Sri Lanka and India is expected to be relatively high. What is interesting to note is that, it is the premium brands that are more vulnerable while mid sized brands such as Walmart have been able to manage the crisis fairly well. As Sri Lanka supplies to some of the premium brands, that will have an impact on the Sri Lankan economy. Further, with the British pound and the Euro becoming weaker, Sri Lankan products are turning more expensive for the western consumers and that will also have an adverse impact on the Sri Lankan economy.

In the tourism sector, there has been a 3% drop in the world passenger levels and according to IATA, it is the worst in 50 years. In Sri Lanka, arrivals were down by 11% in 2008. However, the upside for Sri Lanka is that Sri Lanka can become a budget holiday destination for those who still want to enjoy a low cost holiday. In fact, in all products and services there is ‘bite sized indulgence’ that can be provided as opposed to assuming that consumers will completely cut off indulgences in tough times.

Micro business indicators across different industries point out that sales have been depressed and credit periods are extended, Non-Performing Loans and bad debts are on the rise. There has been an alarming increase of about 30% in Non-Performing Loans in 2008. Consequently, the cost of borrowing is still high. Access to finance to small and medium businesses that trigger the economies in developing countries is still very limited because financial institutions are becoming increasingly cautious. Furthermore, the workforce in Sri Lankan corporate sector has been largely affected by retrenchment. So all these indicate that the local economy is in tough times.
However, on the plus side are lower fuel costs as a result of reduced inflation. Two other possible positive indicators that could work for Sri Lanka are the end of War dividends and IMF intervention. But it has to be noted that where these investments are going to come from, i.e, developed nations, are going through tough times and IMF intervention is a double edged sword. So, despite the pluses, we are certainly in tough times both locally and globally.

Why are we in tough times?
When examining the reason behind the tough times, we could either blame the economy or blame ourselves. While certain industries are facing the crisis as a result of the circumstances of the industry and the economy, there are others which have failed to get things right when the going was good.

Economic perspective
At a macro economic level, over the last fifty years the world has seen unfettered consumerism and materialism. Open markets, mass media, mass scale retailing and easy credit availability have all contributed to people living beyond their means. Businesses thrive on this consumerism and depend on consumer consumption. Hence, most business models are centred on and are dependent on discretionary demand that relies on this consumption model. Based on this discretionary consumerism, imaginary wealth is created that leads to hedging, leveraging and creating imaginary wealth. There has been a fair degree of imaginary wealth creation over the years and the global stock markets have lost US$20 trillion in 2008. As a result of all these losses, there is a public burden of the private enterprise; bailouts seem to be the nature of the game, be it an industry or a company.
According to Hilmy Cader, we are talking about the crisis at an economic level and we are yet to feel the impact at the bottom of the pyramid. So, in the next two to three quarters, the impact is going to be stronger and it is already beginning to

show in terms of crimes, terrorism, suicide rates etc. For example, in Dubai, in 2008 on an average 12 people committed suicide every month over issues related to the current financial crisis.

Around the world people are migrating to urban areas but a large segment of the world population lives on less than US$ 2.5 a day. The disparity between the rich and poor is striking. Therefore, Hilmy is of the view that over the next two to six quarters, in addition to the global financial crisis we can expect a bottom of the pyramid crisis coming our way as well. What is important to note is that there are also opportunities in terms of reaching the bottom of the pyramid as it was done in Bangladesh with Danone and Grameen Bank.

Drawing attention to the environment, which Hilmy Cader believes to be facing an even bigger crisis, he pointed out that the real crisis is people using resources way beyond what the world can regenerate. We have to be more concerned about that as we are clearly living way beyond our environmental means. Speaking of the 'earth overshoot date', he pointed out that in 1986, earth was able to regenerate all the resources, but by September 1, 2008 we have stopped regenerating those resources which means that we are eating into the resources of the world and creating a bigger and a bigger hole in the world resources. He pointed out that by 2040 the world population is estimated to grow upto 9 billion raising various issues inter alia, the lack of re-sources to consume. According to him it is indeed an inconvenient truth. Therefore, in addition to the global economic crisis and the bottom of the pyramid crisis, we as the world have to brace ourselves for an eco-credit crisis which will have far greater impact than the global financial crisis.

The way out of the crisis

According to Hilmy, from a macro economic point of view, the two ends of the continuum are the "Patch up approach" and the "Wake up approach". Speaking of the patch up approach, Hilmy Cader stated that the hope is that the governments will start bailing out corporates if they have sufficient funds as it will start inducing consumer spending. Governments such as Australia have already started sending out cheques to consumers hoping that they would spend, but the fear psychosis brought about by the crisis has caused the consumers not to spend it the way the Australian government expected. However, the only way the Patch up approach can work is when bail outs start working and consumers start spending, which means that the sentiment of the consumers has to improve for there to be increased consumption.

There is considerable political interest in the Patch up approach around the world from the USA to Africa, as governments are dependant on coming into power and to make the Patch up approach work. However, in the USA, the bail out package has not delivered results; the response has not been forthcoming from the stock markets or consumers. In fact the stock markets have gone in the reverse direction compared to what was expected. Thus, the early signs of workings of the patch up approach are not encouraging.

The other end of the spectrum is what Hilmy Cader refers to as the wake up approach. This requires a fundamental market correction and a new economic and ecological model to arrive at a new type of demand. This is a radical shift that cannot happen at a micro enterprise level. For the ‘Wake up approach’ to work, government incentives, fiscal policies and such have to start working. Therefore, it is a combination of the two approaches that is going to work. In terms of the way out of the crisis, both these approaches seem to be about how far we are willing to go in this continuum. That is why we are in tough times at an economic level.

He also points out that businesses should have done better when the times were good so that they can withstand the crisis. According to Hilmy Cader, we have partly created the crisis and the impact it has on us. Unchecked expansion, venturing into entirely new domains, reckless recruitment and hiding the inefficiencies in businesses in the good times have resulted in the inability to withstand the tough times. These steps are based on expectations and he points out that when the going is good, the degree of caution is low and businesses end up with very high fixed costs models causing the organisation’s agility to be affected. In pursuit of better results they keep on adding brands, products, customers and channels. If a business does not look at it from an activity based costing system, it is easy to hide costs that affect productivity. Therefore, one of the biggest culprits when the going is good is proliferation.

How to respond to tough times?

There are broadly two types of businesses based on the way they respond to a crisis: “chop & cripple” or “trim & fit”, says Hilmy.

Chop and cripple businesses are those that resort to indiscriminate cost cutting, almost as a reaction. They tend to have a disproportionate focus on costs and they mainly see staff costs first and the only way to cut costs. This results in indiscriminate chopping as head count is approached first. These types of businesses operate in a panic mode; negativism tends to surround them and they tend to look at issues from a short-term perspective.

Trim and fit businesses on the other hand are cautious about costs, but they use the situation to go back and ask some fundamental questions. They tend to be their own critique and look into the workings of the organisation to see what was done wrong when the going was good. They tend to critique their performance very carefully. They also recognise their successes, but do not get carried away by them. These businesses tend to be cautious and move into selective cost optimisation by keeping a very strong focus on liquidity. Hilmy says that in a crisis, rather than profit margin it is liquidity that lets a business down. So they have a strong focus on liquidity and look at opportunities for investment and thereby get their organisation into complete shape. They get prepared for tough decisions and they spend a lot of effort on analysis, they make tough decisions. At the same time they gear themselves for the upturn.

How to be “trim and fit”?

According to Hilmy Cader, the words “trim and fit” are carefully selected. ‘Trim’ because it is a state we all like to be – in terms of health; it is a state that we want to be in, not because we have had a crisis but because it is good at all times. ‘Trim’ can only be achieved by working on the fundamentals versus going in for chopping. ‘Fit’ because, we can be trim yet feeble. So, ‘fit’ because we should be trim and fit to perform. This trim and fit model is divided into three stages, viz., analysis stage, risk-sensitivity stage and the opportunities stage.

The importance of examining the risks is that the organisation is currently facing and creating a value flow based profit and loss account as opposed to a conventional profit and loss account. According to him, there are two types of costing in an organisation and two ways of cutting costs. Most organisations tend to move in a vertical cost cutting model, such as cutting down on travel, air-conditioning, office space etc. But according to Hilmy it is important to map the value flow of the business to identify how your profits are spent. Risks have to be analysed and the impact of these risks have to be examined. So, rather than cost cutting, the approach has to be from a risk point of view and creating an alternate model that facilitates lower production. This approach identifies the risk before the cost elements.

It is important to look at the value chain profit and loss account first and then look at the horizontal costs. Each area has to be examined to decide what can be reduced based on the likely risks. It is only then one has to look at vertical costs. “When you indiscriminately cut, you may be chopping off some arteries and veins”, he says. There-fore, according to Hilmy, one has to be very careful to look at horizontal costs before going to vertical costs.

Having done the risk analysis, then a sensitivity analysis has to be carried out to identify what are the likely sensitivity scenarios and identify the higher rated risks in terms of the stress for the organisation. After looking at the sensitivities and risks,

the opportunities have to be explored. It is also essential to go back to the value chain and have a look at the opportunities for areas to capitalise on. However, through all these it is important to ensure that in all these stages no decisions are made, only analysis is done.
According to Hilmy Cader, there are four key elements to be addressed in order to reach the state of “trim and fit”. Firstly, ensure your strategy is realigned to the tough times; secondly, make sure that the processes are optimised. Thirdly, configure the organisation structure; and fourthly motivate the staff.

BITE SIZED INDULGENCE
Even In Tough Times, People Still Like To Indulge; But Not In The Normal Way That They Would Like To Or The Way That They Used To. In All Products And Services There Is ‘Bite Sized Indulgence’ That Can Be Provided To The Consumer As Opposed To Assuming That The Consumer Will Totally Cut Off Indulgence. One Way Forward Lies In Providing Bite Sized Indulgence To The Consumer Who Still Wants To Indulge.

Aligning the strategy
Any kind of cut on staff has to be looked at after having explored all the other options in the model. Strategy, processes and structure can save a lot of money. It is only after exploring these options that head counts should be looked into. Rather than expecting the consumers to cut down on their expenditure, it is important to examine the possible strategy alignments as tough times clearly bring in new consumer sentiment and needs. Investing and understanding how consumers are really responding to the crisis situation is critical. It is important to examine whether you provide value to every single dollar that the consumer spends. For example, in markets such as India, value for money has been a concept that has prevailed very strongly and consequently, the impact on them, particularly in the FMCGs has been very low, as many brands have been able to withstand the effect on the market.

Optimising process
It is important to understand that there is hidden power in rationalisation because in good times businesses acquire many inefficient customers, brands, products etc and hide them in the overall profitability. With analytical thinking these can be reduced to a minimum. What is important is that even in good times you should look at these things, justify each product, brand and customer and examine why does it really exist in our portfolio. In the good times businesses tend to acquire a lot of unprofitable customers, brands, products etc. Through justifying these most of the unnecessary costs can be reduced.

Configuring the structure

Hilmy also pointed out the importance of any business to be liquid. According to him, liquidity is critical in any crisis and the responsibility over liquidity has to be divided between finance, treasury, sales and operations. In many businesses there is no central responsibility for the working capital, but if there is a working capital manager who takes responsibility, there are significant savings that an organisation can make.

There is no better time to acquire low valuation high potential assets, weaker competitors, enterprises and brands. Of course, the business should have sufficient funds or be able to leverage effectively to acquire the necessary funds. There is no better time to build brands as the media clutter is lower and the bargaining power with media is much higher and noticeability is much higher in terms of building a brand. According to Hilmy Cader, stopping a business in tough times is like stopping a house that is half built; though you might think that you are saving money by stopping, when the good times come, you have to start building again from scratch. So there are opportunities in times like these; in fact there are many new industries that are coming up.

He also pointed out that environment and poverty will be two key phrases in the next decade, therefore, companies that can respond to these segments will do exceptionally well. There is a significant renaissance in agriculture. In the Sri Lankan context we have three very good examples CIC, Cargills Foodcity and Hayleys Agro. It is a good time to look at the bottom of the pyramid to identify the opportunities that lie there.

Motivating staff

Speaking on the points to focus on when dealing with people, he expressed his view that this has to be done responsibly taking note of the labour laws and regulations in the country as well as the region. There are many different measures to resort to, such as week cuts, pay cuts, sabbatical leave, VRS, retrenchment etc. But it is important to be cold at structure and warm at staff; have a clinical approach and people should not be brought into the equation. It is important to be responsible in the way you deal with people as this has a major impact in terms of your re-hiring and brand equity etc. of the organisation. The entire process should be ideally inclusive and transparent.

Another important feature is to have a cross-functional management team, so that a greater number of people take responsibility. This process has to be run and driven from the top, as this is the time you need most of your staff to put most of their energy and their best effort. In a crisis, senior management involvement and an inclusive process is very important. Performance based pay is critical as it is an ideal time to offer people an upside. Certain organisations offer an incentive rather than a cut, so it is a win-win situation. It is also critical to identify the high and critical performers and lock them in. Sometimes as a result of chopping you lose critical people. It is a good time to introduce a ‘trim’ culture in everything, but be cautious that the idea is to make ‘trim’ smart, cool and responsible. ‘Trim’ is absolutely critical in the way forward as a permanent way an organisation should be as opposed to a reaction to a crisis.

However, businesses have to be tough in anticipation of the tough times and be prepared for tough as a permanent state. If this has not been done already, it is time to start taking hard decisions. Current crisis requires a lot of hard decisions and there may be no way out. In certain cases businesses have to be prepared for a new level of demand and a new level of requirements in the organisation. Hilmy concluded his presentation drawing attention to the importance of seizing the downturn opportunities and gearing yourself for the upturn.

The panel discussion post presentation was conducted by an eminent panel including Amal Cabraal – Chairman of Unilever and Chairman CIM Sri Lanka, Lalith de Mel – Chairman Hemas Holdings and former regional director of Reckitt and Coleman, Nihal Fonseka – CEO, DFCC Bank and Pravir Samarasinghe- Director and Chief Operating Officer of Richard Peiris.

Expressing his views on the current economic crisis, Lalith de Mel, Chairman Hemas Holdings and former main Board Director of Reckitt and Colman UK stated that it was the huge losses incurred by banks that shook up the world as billions of losses were incurred by reputed and well-established banks such as Royal Bank of Scotland. People were frightened that their money would evaporate with the banks and that created panic. This resulted in people postponing their purchases of consumer durables like cars and later it lead to them cutting down on retail spending, eating out etc. Since the bad news of bank losses continued, it failed to persuade people to spend. Though many governments have taken huge losses and pumped in money and even nationalised certain banks in the hope that it would kick start the economy, people have not been as forthcoming as hoped. According to de Mel, the recession in the UK was man made, as it was due to the panic caused by the losses made by banks. He expressed his view that some of these fears as well as the crisis has been caused by an accounting hallucination to a certain extent.

Responding to a question about the 1970's when Sri Lanka first faced an economic crisis he noted that sometimes, the regulators who control our economic climate do not necessarily understand the issues. Therefore, in his view, it is the obligation of the industry to start up a dialogue. He pointed out how a number of meetings and some large public meetings were held in the 70's and the importance of involving the public and making those in power understand the issues and accept what the business community felt to be meaningful solutions.

Looking at the current situation, he noted that perhaps it is this dialogue that is lacking at present and the issue is how to start a dialogue. Lalith de Mel believes that it is the responsibility of the private sector to start a dialogue because Sri Lankan economy is largely driven by the private sector. He noted that with the big companies, the apparel sector, retail trade, transport, tea industry, the whole of agriculture etc. primarily being in the hands of the private sector, it is the private sector that should organise themselves and start the dialogue with the government and politicians. So far, the private sector has failed to establish a meaningful dialogue and talk to those in a position to make a change. It will not be possible to move forward until that happens, he said.

According to de Mel, the bureaucies are merely implementers; they do not have the power to make decisions nor do they have the courage to go to the ministers and lobby. The actual power lies with politicians. Thus, lobbying has to be at a political level, so that the politicians will acquire a good understanding of the issues that need to be addressed.

Speaking at the panel discussion, Nihal Fonseka, CEO, DFCC Bank the crisis was led by what happened in the banking and finance sector. Just as the crisis could be termed a hallucination to a certain extent as pointed out by Lalith de Mel, the bloated profits reported by many global banks over the last few years have also been hallucinations; though it has been assumed that markets were perfect during good times, we had to face the reality that this was not so when markets suddenly disappeared, he said.

He also pointed out that the manner in which the businesses were managed and the way shareholders wanted businesses to be managed in the developed countries was by looking at the short term. For example, in the USA, businesses are driven based on continuously increasing quarterly profit targets and the senior managers are rewarded with stock. Thus, managers are very focussed on short-term share price performance and try their best to get the prices to increase quarter by quarter. One drawback of the accounting system is that there is no mechanism to recognise long-term value creation. Accounts look at the past and present and do not capture the future, he said. Looking at the local situation, Fonseka pointed out that in Sri Lanka, luckily for management, companies are not pushed to achieve published profit targets every quarter and shareholder activism is weak. On the one hand this makes management somewhat complacent, but on the other hand managers get greater freedom to make strategic decisions where the payoff is on the longer term. With regard to the banking and finance sector, Fonseka admitted that there have been problems recently due to mismanagement of particular institutions but the problems were not widespread like in developed markets. Examining the manner in which the expectations of the people have changed in tough times with regard to banking he noted that the most important thing people who deposit funds with financial institutions expect now is the certainty that their funds will be safely returned as opposed to the earlier times when they wanted the highest possible return.

Fonseka also pointed out the importance of liquidity, particularly to the banking sector and said that unlike other businesses, it is crucially important to be sufficiently liquid to meet the demands of depositors in a timely and orderly manner. He pointed out that the repercussions of failing to do so are fatal as loss of confidence even for a day can cause irreparable damage to any financial organisation. Thus, according to Fonseka, banks cannot forget that responsibility and have to bear the cost for being sufficiently liquid every day.

Looking at the future, Nihal Fonseka pointed out that a downturn also means opportunities as it definitely gives managers time to think, focus on and execute plans when business is slow; provided a business has the liquidity and the resources to last through the crisis. According to him, tough times will not last forever and they will come to an end, so what is important now is to prepare the businesses to benefit from the upturn. He believes that the greatest opportunity that these tough times provide is sufficient time to get ready for the good times that are to come since, when growth is fast people are usually too busy to question whether there is a need for change or to implement change.

Pravir Samarasinghe, Chief Operating Officer of Richard Pieris spoke on business during tough times from a diversified conglomerate’s perspective. He noted how in good times many companies aggressively expand their business by diversifying into new areas. However, poorly managed entry into new areas outside your core domain, where you do not have the required competencies, can be risky and sustaining such businesses during tough times could be a challenge. Therefore, he said, it is essential that you continually re-evaluate your business portfolio and

focus on developing and allocating resources to profitable areas in which you enjoy sustainable competitive advantages and at the same time, make the hard decisions and move out of businesses with poor returns.
He also spoke of the importance of better managing working capital to improve liquidity. According to him giving the responsibility to a person to focus on working capital management in addition to the traditional line managers could help in improving cash generation within a short period of time. Cash is king and it is crucial to maintain sustainable cash surpluses and he believes better working capital management is one area in which tangible results could be achieved very quickly.
He also mentioned that the cost structure of a business was another area to focus on during tough times. In addition to the reduction of indirect costs, converting more and more fixed costs into a variable nature is a strategy that companies should look at. He pointed out that a higher variability in the cost structure will enable businesses to withstand declines in volumes and demand.
Speaking on labour related matters Pravir Samarasinghe noted that it is costly and difficult to reduce these costs in Sri Lanka's inflexible labour market especially with various labour laws in place. Albeit, there are certain measures that can be taken, including being transparent and communicating with employees and gaining their confidence. "If you lose trust you cannot motivate people, this is true from the managers right down to the workers; and if you cannot motivate them, the consequences could be worse" he said.

"We understand these are tough times, but don't intend participating in it" said Amal Cabraal, Chairman of Unilever Sri Lanka quoting Warren Buffet. Bringing in the FMGC perspective to the panel discussion, he pointed out that since FMCG products are largely essentials, the industry must take an optimistic view as there is no significant difference in good times or tough times. According to him, on growth it must be business as usual, while on costs it must be business as unusual in that there must be a ruthless focus to bring down all non-growth related costs. There are always opportuni-ties in tough times and if you are close to the consumer and shopper you will be able to find these opportunities, said Amal Cabraal. According to his view, the FMGC sector must take a very aggressive stance on growth while reducing costs, following a 'trim and fit' approach instead of a 'chop and cripple' approach.
Cabraal pointed out the importance of taking out proliferation costs that businesses have incurred during the good times while being careful to invest the savings and the profits back into the growth of brands and the development of people. He also

noted that it is important to look at the opportunities to acquire new business which may come up for sale. Speaking for Unilever, he said that their belief is that bad times do not last and that the good times will certainly come. Therefore, he pointed out the importance of managing the present so that you are ready to take advantage when the good times eventually come.
In response to a question raised by a participant, Amal Cabraal noted that businesses have a tendency to always look to the government and the regulators to help them get by the tough times. But he drew the attention to the fact that it is important to also look at what businesses can do to help themselves. “We got to believe that the glass is half full and not half empty and we need to look at the issues more optimistically” he said. Reiterating his optimistic point of view, Cabraal noted that tough times are actually an opportunity for companies to trim any excess fat they have acquired in the good times. He pointed out that for a large number of companies, sometimes, enforced tough times are good to realign, rethink and get back to being ‘trim and fit’. According to him there are many opportunities in these tough times but it depends on how we deal with it; whether we are open minded and whether we have the courage to look for opportunities and make the best of them. He concluded the evening meeting drawing an analogy to the tour de France where he said “often the lead changes in the climb; but whoever gets ahead in the tough climb and takes the lead will obviously benefit on the downhill and win the race.”

EARTH OVERSHOOT DAY

Earth Overshoot Day marks the day when humanity begins to live beyond its ecological means. According to the GLobal Footprint Network, beyond that day, the world moves into the ecological equivalent of deficit spending, utilising resources at a rate faster than what the planet can regenerate in a calendar year.