

MARCHING FORWARD

UNLEASHING THE STORY OF A FRONTRUNNER IN TURBULENT TIMES

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CHIEF OPERATING OFFICER-MAS INTIMATES

Could you give an overview of MAS Intimates and your current role in the organization as its Chief Operating Officer?

MAS Intimates is the largest SBU of MAS Holdings with a revenue over 1 billion USD per annum at present. In terms of my role, I come from a different background where I worked as a Finance Director for more than 7 years before assuming duties as the COO of this organization. In my current role as the COO, I overlook the entire manufacturing and operation functions of MAS Intimates which include planning, manufacturing, and maintaining quality for the entire cluster. In



MAS intimates we have 16 facilities spread across Sri Lanka, India, Indonesia, Bangladesh, and Kenya.

Has the persisting economic situation in the country had an impact on the

progression of the operations of MAS Intimates in the short run?

I would say progression and running the operations are two different things. Progression is the way forward and how we would do things in the future. If you take MAS



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CREATING A HOPE IS THE MOST IMPORTANT THING WE HAVE TO DO IN THIS DIFFICULT TIME, AS A CORPORATE WE CAN CREATE THAT HOPE WITHIN AND OUTSIDE OUR ORGANIZATIONS

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Intimates, the current condition in the country has had an impact on how we were planning to progress in the future. However, the day-to-day operations of our business could have had a significantly larger impact if we had not responded correctly. We have been on a roller coaster since March 2020 in the manufacturing industry. From the day that COVID 19 lockdowns were first introduced we didn't have a rest as there were number of changes that have been in existence in the external environment ranging from health concerns and now to political and civil unrest.

To answer this question in one sentence whether we have had an



impact, if we consider our revenue then no. Apparel industry and MAS have delivered what it was supposed to deliver last year. If we go back to the last 24 months, we only closed our facilities for a maximum of two weeks. We did have major setbacks, but we came back strongly. Even when considering the current economic situation, yes, we had setbacks but with the exemption of one or two days in which the entire country had the curfew. We did not shutdown any of our facilities for any reason.

In general, the economic situation has not necessarily had an impact on the running of the operations presently. However, the existing situation might negatively impact our future progression if this is not corrected soon. Most of our customers are Northern American and European brands and they are very concerned about the current political and civil unrest. For them it is not about whether we can deliver our products but rather about the political and economic stability of the country. The other main issue we foresee in the coming couple of months is the logistical issues in addition to the logistics price escalation. Owing to this we are concerned whether we will be able

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to get raw materials on time or whether we will be able to export the products we stitch on time. Operationally and internally, we are 100% confident that we can deliver the best. We will produce at best quality, and we trust our team fully to deliver as they clearly understand their responsibility and accountability towards the economy and to the country.

The most important thing for us during this current situation was that we were very open and transparent about the current situation as an organization. Starting from the economic crisis we

were very open on how our 50,000 plus associates can voice their opinion. We respect the right of the people to voice their opinion, but we emphasize about our responsibility as the biggest dollar generating industry of the country to make sure that we continue to bring dollar inflow to the country, and we were one of the first companies to do so in the country.

What measures have you taken from a business standpoint to navigate the current economic environment?

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To what extent have these initiatives delivered positive results?

We are a dollar earning company. The rupee depreciation is in fact positive for us as we earn in dollars. As an organization the rupee value depreciating is not having any impact on us. But the impact is to our team members as they earn their salaries in rupees, and with the reduction of purchasing power of rupee due to the devaluation driven inflation what they can buy from their salary is diminishing drastically. What you bought yesterday, you will only be able buy

80% of it today and it will drop to 70% in a week. Inflation is not at 10% anymore.

As a reaction for this inflationary pressure and to minimize its impact to our team we increased the permanent salary of all our team members disproportionately. We gave the usual salary increments in January, but we realized in April inflation has made that increment almost redundant, hence in April we

decided to give another permanent salary increment. We didn't go with an allowance because we feel these prices will never stabilize back to what it was before.

There are several things that we have done in the current economic situation. One sub-impact of this crisis was the fuel shortage. Unfortunately, majority of our plants are located outside the industrial zones, and

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we don't have that buffer or benefit of not having power cuts for many of our plants. However, we foresaw this, and we increased our fuel storage capacity for our generators by 3 to 5 times.

As a dollar earning company we went ahead and obtained approval

to purchase bunker diesel (marine diesel) and to pay in dollars. We have secured a stock of marine diesel through three local companies, and we therefore have fuel which is good enough to run our generators but at a higher cost. We don't run our own transportation, but we have over thousand busses that our staff members use to report to work. We did a lengthy testing to see whether the marine diesel we have is good enough for normal vehicles and it came positive. We are now using this fuel for our vehicles as well. Through this we were able to manage the customer orders and their concerns. Even more than the financial gain, if we don't deliver on time, it will create a perception on the customers minds that Sri Lanka can't deliver orders due to the civil and political unrest in the country. We need to understand the current global market requirement and acknowledge that our brands have enough and more places to go if we don't deliver. This wasn't an issue during the COVID 19 pandemic as supply was restricted everywhere in the world. If we don't deliver today, our customers have our competitive countries like Bangladesh, Indonesia, India, Vietnam to shift our orders, and that is our biggest concern.

Would the Sri Lankan currency being allowed to 'free float' positively impact the apparel industry's revenue maximization potential in the short run?

I would say it does impact in a positive manner. Most of the apparel manufacturers in Sri Lanka are dollar earners. One dollar revenue in the past six months was LKR 200, and today's revenue is around LKR 350, which makes it profitable for the industry. Around 50% of raw materials are being imported, while the other resources

are sourced locally. But 100% of overheads are paid in Rupees. Not only in apparel, but every export industry who is earning in foreign currency is benefitting from this currency being free to float and Rupee depreciation. That is what most of the other countries also have done. However, we cannot sustain this for a longer period, because if we continue this there will be definite extreme price escalation and a possible civil unrest. Therefore, we cannot continue to run in a similar manner in the next 12-15 months. Hence as a country we will have to give our maximum attention and effort to increase the domestic industries which produce import substitutes. This will neutralize the inflation to a certain extent.

With the current situation in the country, there is a heavy skill migration trend that could be witnessed. As a business what are the initiatives the organization has taken to retain the skilled employees within the business?

MAS is in a unique position where we have an advantage that most other organizations do not have as we have our overseas operations. When somebody goes to an overseas operation in MAS, they get a dollar payment. It will not be a permanent job, but they will be assigned for an overseas operation for 2-3 years and they will come back to Sri Lanka. We send people for 2-3 year stints so that everybody gets an opportunity and they come back within a specific time period. That has given the organization around 150-200 overseas jobs available at any given point, people are aware of it and there is a rotation as well which ensure the fairness. Though it has not stopped



aggressively promoting and practicing that in the organization to ensure that people are not losing the grip of hope.

The other thing is unfortunately the younger generation sees the world through social media and YouTube lenses, and they believe what they see on social media to be the world. What they forget to notice is that all the uploads are success stories, and for one success story there are thousands of unsuccessful stories which are not published, that is the problem we have. The young generation sees these success stories and assumes life in another country, which is not the 100% the reality. Only way to counter that is what was mentioned before, creating that environment of hope in the organization. But there is no way of completely stopping the migration, people will still leave.

In the early 2000s, there was a serious brain drain because of the civil war, now it has started again. But now we are more educated about the situation and if we follow the right path, as responsible corporates, as responsible citizens and as responsible politicians, to create hope, as Korea did in 1997, we can mitigate this excessive skill migration to a greater length.

skill migration 100%, it has helped us to reduce the migration trend because the people have that hope of getting to another country within the organization if they are desperate to move out. They can go to Indonesia, Kenya, etc., and the employees have the option to apply, and if they get selected, they will get assigned to their respective countries, which is as good as going to another country and working, and they will be back in Sri Lanka in three years' time.

Parallel to that MAS has created a culture where people think twice before they make that migration decision. We believe that if people leave the country, the only reason they do so is that there is no hope with the inflation and other crises happening around us. People keep

thinking about the future and life of their kids, whether to send the kids to local or overseas universities and thus the entire social perception towards the country has changed in the past 6 months because of the current situation due to the lack of hope. From a corporate angle what we can do is, although life, in general is difficult in these circumstances, we are trying to create a positive environment within the organization. We are increasing salaries of people, investing in training people, sending them outside for training and trying to make the workplace a better place. We also launched a Programme called "I am Intimates" which only talks about the happiness and wellbeing of people and the company is going more

What do you think of the role that MAS Holdings as a frontrunner in this industry can play in aiding Sri Lanka to overcome the persisting economic plight?

First thing is, that we must keep continuing to generate the most scarcest resources at this point in time, which is not fuel, or electricity, but dollars, that will definitely assist the organization as well as the country. We are not going to close any manufacturing factories in Sri Lanka as we stand now. As

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organizations, we have to make sure that we keep feeding our people and giving opportunities to the lives that we are responsible for. Out of a hundred thousand employees of MAS, around seventy-five thousand employees are in Sri Lanka. At MAS Intimates, out of fifty thousand employees we have around thirty to thirty-five thousand employees in Sri Lanka. We have also connected with other families such as transporters, meal providers, security providers, etc. and support the livelihood of close to a million people that are connected to our organization. Further, we will keep giving those opportunities to the people, and we will keep generate dollars, which is generating the dollars – which is something we have to do as manufacturers.

What are the skills and capabilities you expect undergraduate students to develop if they are aspiring to join the apparel sector in the future?

Rather than the apparel industry, if I am to focus on the corporate sector, the first expectation I would say would be to stop thinking as an undergraduate and start thinking like

a post-graduate now itself. Because to undo the undergraduate thinking it would take three years, hence it is important to get out of that shell and start thinking differently at least in the last two years in the university. Start thinking about the way you would behave in the corporate world. We want people to know that it is not only the operational or academic skills which make one a good corporate fit. One of the first things they should understand is the importance of presence. For an instance in an interview, within the first five minutes the decision is made based on the way you present yourself which makes a difference. But unfortunately, most graduates they don't have a proper understanding on that. Even at work, that is one thing the people are lacking, no matter how good or skilled the employees are, they don't know how to present themselves.

Communication and work itself are the next most important skills an undergraduate must develop. What is important for undergraduates is to come out of the university mindset and shift to a corporate mindset, in the real world before it's too late. Presently the students have many opportunities, since they graduate at quite early ages such as 22-23 years, they get a head start, but

unfortunately some tend to lose that head start.

The education system should not restrict the students from asking questions when the students are afraid to raise questions the same will continue once they join the corporates. They will just do whatever they've been asked to. If no questions are asked, no one will learn. We want people to challenge for the right reasons, and then learn – which is something that should be encouraged within the education system itself.

Having a qualification is wonderful but don't expect to use everything you learn in the university when you come to work. Whatever is learned from the books cannot be copy-pasted in the corporate context, you must be smart enough to filter it and convert it into a practical way. Otherwise, the students might get disappointed thinking they learned a plethora of things that are not being applied or used in the work they do and this mindset must be changed for their own benefit.

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