

# THE WAY FORWARD; A PERSPECTIVE FROM THE TEXTILE INDUSTRY



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### What is your overview of the current state of the Sri Lankan Economy?

It is unfortunate to realize that the nation is finding great difficulty in addressing the debt crisis that has plagued Sri Lanka in recent times.

Certain efforts are in progress by relevant authorities to restructure the country's debt with the assistance of international organisations. However, we must ask ourselves whether if it is a little bit too late, or if there is more that can be done given the severity of the

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circumstances. It is beyond doubt, a tedious process.

Comparing our present status to that of a few years in the past, it is evident that the tax burden has increased by a significant proportion. The resultant change has led every individual, industry, and sector regardless of scale and size to face the brunt of the pressures. The lack of control on

the pressures imposed on the economy has led to a concerning dilemma, and that is the worsening of the quality of life due to the increased cost of living. Deduct loan repayments, settlement of bills, and payments made on general household utilities and necessities, a common man would be left with an insufficient amount of income to spend on his or her own

personal indulgence or entertainment. On certain occasions, certain families might even find it difficult to settle the mentioned expenditure due to the lack of increase in their income to coincide with the rising cost of living.

Despite being aware of the harmful effect of uncontrollably obtaining loans on a nation's credit rating, countries yet continue to follow the practice behind the guise of 'developmental purposes'. It is prudent to comprehend that a proper repayment strategy need to be put in place prior to seeking out loans, regardless of the intended purpose of obtaining said loan. The lack of such a strategy has been Sri Lanka's bane in this particular instance, in my opinion.

Sri Lanka would have been able to strategically utilize the borrowings, invest in lucrative ventures, and thus generate either direct or indirect income that can be shared equally

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amongst people, industries whilst even settling portions of the obtained loans at consistent intervals. Unfortunately, as a nation we haven't seen a proper solid policy or mechanism in selecting and prioritizing

lucrative projects that derive optimal return on investments. The inability to create opportunities to generate income through said projects hinder the progress of the country.

The high inflation rate in Sri Lanka at present has significantly impacted the middle and low-income earning classes.

From an industrial perspective, a considerable amount of new investment projects especially targeting business expansions have been put on hiatus due to unfavourable situation of the country. Thus, it is fair to assume that there is a significant threat





“ THE YOUTH IS THE FUTURE OF THE COUNTRY, AND BUILDING SKILLS AND COMPETENCIES ALONE IS INSUFFICIENT; THEREFORE, SRI LANKA REQUIRES A SOLID PLAN FOR EDUCATION, RESEARCH & DEVELOPMENT TO BUILD THE YOUTH ”

of witnessing shrinkage in certain industries in the near future. This majorly affects the SME & start-up businesses in the country.

### **As far as you think, what are the main factors contributing to the current crisis and the resultant hardships?**

A considerable amount of burning questions need to be answered if we are to move forward as a county. First and foremost, we need to establish a solid plan.

Long-term development

strategies and a national policy are the need for the hour. The introduced strategies should remain unchanged despite changes of governments.. The best interest of the nation should supersede individual biases and self-interests. Sri Lanka should take a page out of the books of developed countries where strategies, plans & proper systems require an overwhelming mandate to overturn or change. Sri Lanka should look at executing these projects with the assistance of experts that have hands-on exposure in the trade, equipped with sound knowledge.

Currently, Sri Lanka is following a myopic approach where there is a significant gap in long-term orientation. The lack of stability in terms of economic, political, and social facets hinder the nation's attractiveness as an investment destination. The tradition has been to spread smiles amongst communities with promises of non-productive short-term fixes to long-term problems.

The youth is the future of the country, and building skills and competencies alone is insufficient; therefore, Sri Lanka requires a solid plan for education, research & development to build the youth. They need to be educated on the ways of challenging the status quo, question impractical policy decisions, and to productively contribute towards the development of the country. Additionally, a plan to improve local industries and agriculture need to be established. All the above mentioned criteria can be



met once the nation establishes a proper control mechanism.

**In your opinion, what are the different mechanisms that can be implemented to attract FDIs?**

What is the purpose of moving investments away from a person’s country of origin? The answer, simply put, is the return on investment that the investor’s country of origin fails to provide.

Ease of doing business is a significant factor that investors consider before making an investment decision. South Asian countries including Sri Lanka were once believed to yield similar growth potential. However, if we consider the growth trends, countries that have begun their development processes after us have now expanded their GDPs, surpassing that of Sri Lanka by a significant

margin. The aspect that said countries have done right, and what we have failed to achieve successfully, is the approach adapted to attract FDIs.

Sri Lanka has a significant amount of obstacles and barriers that as a nation should overcome if they are to invest in local projects. The approval process to initiate a project can be tiresome. Restrictions in gathering necessary information to launch projects are concerning. The absence of an established governance system that protects the country’s investments is the primary pitfall that has plagued Sri Lanka. The business environment of a country requires a hospitable and sustainable macro environment, if it is to thrive and prosper.

The quality of the labour force is another aspect that needs immediate attention. Investors prefer to approach nations

similar to Sri Lanka due to their ability to source a quality workforce enriched with sound technical knowledge & highly competent skilled labour force with compared to countries like Bangladesh, India & Vietnam. As such, it is prudent to believe that Sri Lanka has never lacked in terms of job opportunities, the pitfall that hinders progress is the country’s inability to capitalize on the wealth of human capital available in the labour pool. Additionally, Sri Lanka offers a higher standard of compliances in doing businesses ethically.

Another related concern is the unrest amongst the workforce. Investors prefer not to risk facing backlash by investing in nations that are prone for employee uprisings and strikes, practices that have brought popularity to Sri Lanka in the past few months. Apart from the minor blemishes experienced during said months,



Sri Lanka is typically not known for consistent labourer unrest. Identifying this opportunity, actions need to be taken to strengthen the governance and policy implementation and look towards increasing the nation's foreign direct investments and joint ventures.

### **In your opinion, what are the measures that can be taken to improve the foreign earnings?**

Apart from FDIs, a few main sources of income for developed countries can be cited as technology and education.

A considerable amount of Asian students travel overseas to pursue their higher education, leading towards a significant outflow of domestic currency. Instead of subjecting our students to depend on overseas education, we can take the initiative to improve the education infrastructure of the country, making it conducive for foreign universities to approach Sri Lanka and establish branches of their reputed universities in the country. In such a scenario, Sri Lanka can become a hub for education for South Asian students, providing learning opportunities for students from countries such as Maldives, Bangladesh, and even Vietnam.

Efforts to accomplish this dream have been launched sparingly in the past, but each effort was met with roadblocks, primarily the lack of proper infrastructure to accommodate the initiatives. An adequate learning environment need to be established, with the necessary facilities provided, if we are to attract foreign students. As an example, universities in Singapore has hired competent resources to deliver certain resources in the education field to aid specially with the research & development areas which ultimately helped to uplift the standards of the education to the current standard.

Another area that Sri Lanka can capitalize on is the healthcare sector. The nation is fortunate to have produced a pool of capable doctors and healthcare professionals. Establishing hospitals that are equipped with cutting edge technologies and facilities will brand Sri Lanka as a nation that provides exceptional healthcare services for a reasonable charge. Considering the fact that healthcare is relatively expensive in developed nations, access to good healthcare facilities at a cheaper price can be viewed as an opportunity.

The establishment of IT parks is another option that should be



considered. Sri Lanka has shown excellent credentials in terms of IT; even to the extent of being able to challenge India, a country that is stereotypically known to produce IT geniuses. Sri Lanka does have some IT parks in operation at present. However, the availability of a labour pool to keep the ball rolling is a gap that needs to be filled. Sri Lanka should look to invite external parties to come and work in these parks in order to fill in that void.

Proper policies & regulations need to be solidly laid out to assure that the offering local jobs to foreigners make our own inhouse talent and professionals

lose out on opportunities. Whilst this holds true for certain industry, the same thought process does not apply for industries that does not have a sufficient workforce to fill in the labour requirement. Here, it is beneficial to bring in foreign expertise to fill in the gaps that are left in certain fields, if smooth operations are to ensue.

Measures need to be taken to absorb youth into the workforce immediately following the completion of their Advanced Level examinations. A lucky few gain the opportunity to enter into the state university system, while the remainder is left to pursue private modes of higher education. It is an option that many cannot afford. A solution for the problem is twofold; give a proper training to the youth and absorb them directly into the

workforce or establish more universities in the nation that have significant lenient entry requirements thus making higher education accessible to a more wider audience. For instance, a Sri Lanka born student that has studied only up to advanced level was recognised as a best employee in Korea for the year 2021. The rewards reaped by Korea due to the contribution of said employee could have been entitled to Sri Lanka if adequate steps were taken to nurture and mentor the employee under consideration. Doing so will protect the youth's right to higher education whilst contributing towards the prevention of skilled labour migration.

Developing the tourism industry is another topic that needs to be addressed. Sri Lanka has never

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lacked the natural resources and the opportunity to boast about a thriving tourism industry. Although, the incapability to capitalize on the opportunities and resources hindered us from achieving our full potential. Sri Lanka needs to learn on the proper way of marketing and branding our natural resources and scenic destinations.

Sri Lanka should look to capitalize on its countless of available natural resources. At present, Sri Lanka is in the trade of selling raw materials to developed countries to be converted into the final end product. Instead, with proper investment of technologies, we can accomplish the same objective within the country itself. For instance, graphite can be converted into graphene. &

more income for 10 times higher.

### **According to your point of view, who are the key stakeholders who should come forward to play a major part in this rebuilding stage?**

The existing status quo and system is in need of a dire change. Banking on the same option while expecting a different outcome, especially when the said option has made repetitive blunders, is not wise from the perspective of the general public. A batch of fresh graduates, brimming with fresh potential and new mind-sets, pass out from the university system on an annual basis. It is the opportune time to create a pathway for these graduates to take up leadership

roles, hone their skills and expertise, and eventually take up the challenge of driving the country towards a better and brighter future. The nation is direly in need of fresh new visionary leaders.

Leaders can even emerge from existing business communities. Teejay has remained successful due to their ability to circumvent challenges and capitalize on opportunities. Such leadership is required to drive the nation forward amidst turbulence.

### **What sorts of challenges are faced by the organizations in the process of bringing back business and economic normalcy?**

If we are to select a random youth from a large crowd at random intervals and raise the question “what would you like to do in your future?”, more often than not the answer that we receive would be “I would prefer to move out of the country.”

Labour turnover has been a significant challenge to the textile and apparel industry in recent times, especially due to the tendency of employees to travel overseas in search of better opportunities. I have noticed that barring for a few loyal long-term established professionals, a majority of the workforce is keen to seek better prospects away from Sri Lanka.

Textile and apparel companies are finding it difficult to grasp the demand of foreign buyers, mainly aggravated by the intense competition and the depreciation of the local currency. Whilst the currency depreciation came as a blessing for a select few, most Sri Lankan industries are left to bear the burden of being unable to import raw materials due to the change in prices.

“ TEEJAY’S UNORTHODOX WAY OF THINKING HELPED IT TO CONTINUE OPERATIONS WITHOUT OBSTRUCTIONS. IT IS MAINLY DUE TO THE CONTRIBUTION AND COMMITMENT OF THE WORKFORCE, WHOM THE GROUP PROUDLY CONSIDER AS THE TEEJAY FAMILY ”

The opportunity cost, i.e., the forgone orders and business deals that the fabric manufacturers could have executed given that the local currency remained unaffected can be cited as another challenge. A significant amount of corporates are faced with financial difficulties, mainly due to their inability to settle their liabilities.

Building trust is another challenge that needs to be mentioned. With the turbulence, buyers have been reluctant to place orders from fabric manufacturers in Sri Lanka. The reluctance may be due to; concerns pertaining inability to meet delivery times, ability to meet quality expectations, ability to provide a beneficial price for the orders, and so on. Building back the broken trust is a challenging task, and providing reassurance that their expectations will be met is of utmost priority.

### **What are the measures you have taken to safeguard your employees during the crisis?**

Reflecting on the many crises that Sri Lanka has been subject to within the past few years, the COVID-19 pandemic stands out above the rest.

The emergence of the pandemic was completely unexpected. Organizations were completely unprepared to face an epidemic of such caliber. From employees succumbing to the illness and

the loss of orders are only but a few impacts that the industry had to endure. The importing of raw materials had to be halted due to the disruptions in the supply chain.

The management of the Teejay Group understood that an immediate solution is required to address the situation if it is to prevent imminent financial losses. The strategic team of Teejay Lanka understood that there was a demand for medical attire, and as such a change of direction towards catering to said market was orchestrated. The Group continued to invest on machinery, materials, and technology. The decision to sell antibacterial medical materials to the US, UK, and other foreign markets proved to be a lucrative decision. It can be mentioned as a strategy that enabled Teejay to remain afloat during the testing period.

The management further encouraged infected individuals and his or her immediate close circle of colleagues, usually, to remain in quarantine until the threat has subsided. It was the normal process at the time. Subsequently, the Group improved its remote working capabilities thus enabling the staff to work from the comforts of their own homes. For instance, the marketing, merchandising, and finance teams continued to work with the use of online communication platforms such as Zoom and Microsoft Teams in

order to ensure a smooth flow of operations.

Whilst working from home was advantageous for a select cadre, it is imperative to note that the staff within the factory does not have that luxury. The staff working within the factory was divided into four groups; two groups were required to report to work, with accommodations being provided courtesy of Teejay, while the other two groups were requested to remain on standby.

Teejay’s unorthodox way of thinking helped it to continue operations without obstructions. It is mainly due to the contribution and commitment of the workforce, whom the Group proudly consider as the Teejay family. The second level employees were given the authority to take their own decisions, depicting the level of trust placed by the management on their gut instincts. Moreover, the requirement for scanning fingerprints were removed, showcasing the management’s confidence that employees would report to work and clock out of work at the agreed upon times. Additionally, increments were allowed to improve the moral during the global pandemic.

The above mentioned strategies enabled Teejay to rise up from the pandemic that lasted for a period of two years, in my opinion.

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