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12 Steps to SME Recovery in the Asia-Pacific

Dr. Inderjit Singh Dhaliwal

Asian Productivity Organization



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PREFACE

The P-Insights, short for “Productivity Insights,” is an extension of the Productivity Talk (P-Talk) series, which is a flagship program under the APO Secretariat’s digital information initiative. Born out of both necessity and creativity under the prolonged COVID-19 pandemic, the interactive, livestreamed P-Talks bring practitioners, experts, policymakers, and ordinary citizens from all walks of life with a passion for productivity to share their experience, views, and practical tips on productivity improvement.

With speakers from every corner of the world, the P-Talks effectively convey productivity information to APO member countries and beyond. However, it was recognized that many of the P-Talk speakers had much more to offer beyond the 60-minute presentations and Q&A sessions that are the hallmarks of the series. To take full advantage of their broad knowledge and expertise, some were invited to elaborate on their P-Talks, resulting in this publication. It is hoped that the P-Insights will give readers a deeper understanding of the practices and applications of productivity as they are evolving during the pandemic and being adapted to meet different needs in the anticipated new normal.

INTRODUCTION

The COVID-19 pandemic is a serious health issue that has caused panic everywhere around the world. For the first time in a long time, this panic is 100% global, which means that every corner of the world is gripped with it. All of Asia, the USA, all of Europe, 54 countries in Africa: none has been spared even though some countries have not seen a serious rise in infection numbers with the progressive rollout of vaccination programs. But the panic is still spreading very fast and damaging the global economy.

The general economic and social impacts are worse than what we have experienced in recent history, at least since I started working in 1985. We had a recession that year, then we had the oil crises in the 1990s, the Asian Financial Crisis, and the Global Financial Crisis. I saw one more in 2014/2015, the debacle of the oil price drop in Africa leading to currency collapses in Nigeria and Angola. Maybe the pandemic is not as bad as the 1929 Great Depression but in between that and the worst of the ones mentioned. Maybe it will not last 10 years like the Great Depression, but likely two to three years at the minimum.

A trade war was followed by COVID-19 causing panic and loss of confidence, and then the financial markets collapsed. All economies have started a downward tailspin. We have not seen the worst yet; this is just the beginning of a long-drawn-out, painful downturn.

How can governments, companies, and communities survive this and come out stronger? What are the challenges that SMEs will face? What are the opportunities that will emerge in the post-COVID-19 new normal that SMEs should start looking out for? In this paper, I will share the 12 steps for SMEs to bounce back in the new normal. I will start by discussing the rapid disruption that was already transforming the world before the pandemic emerged. I will draw lessons we can learn from what happened almost 100 years ago, the Great Depression in 1929, and then suggest how we can emerge stronger amid this Great Disruption or COVID-19-induced economic crisis.

INDUSTRY 4.0 DISRUPTION

Before examining the effects of the COVID-19 Great Disruption, we must understand what was already happening around the world before that fateful January 2020. We were already seeing rapid changes caused by many types of disruptions. Here are some of them.

Deglobalization of the World

After about a century of globalization, the benefits started looking less attractive as developed countries saw the stagnation of wages, especially for middle-income earners. Populations started seeing globalization in a negative light as developing economies observed rising wages across all sections of the population. Some governments started protecting their economies, and protectionism reemerged. Brexit, Trump's presidency, the riots in France, and demonstrations in Hong Kong and other cities were some manifestations of the reversion of globalization or deglobalization.

Technology Disruptions

Technology is developing rapidly. The world is seeing newer technologies making relatively new technologies obsolete just a few years after discovery. The pace is picking up, and not every individual, company, and country is keeping pace with the rate of change. PR China has overtaken the great powers of the past in some areas of technology development, like artificial intelligence and robotics. As a result, we are seeing companies disrupted by newcomers, and the lifetimes of companies are getting shorter.

As can be seen in Figure 1 [1], companies do not last on the S&P 500 as long as they did even 20 years ago. The bigger concern for people and governments is that technology disruption is making jobs obsolete at a rapid pace and those displaced find it difficult to reskill and get back into the workforce because the

FIGURE 1**SHORTENING COMPANY LIFETIMES.**

At the current churn rate, 75% of S&P 500 companies will be removed from the index by 2027



Source: INNOSIGHT/Richard N. Foster/Standard & Poor's.

jobs of the future need new skills and education that may not have existed even in the recent past. SMEs suffer from the double whammy of not being fast enough to adopt new technology and having a workforce that is not able to learn the new skills required for the jobs of the future.

Business Model Disruptions

The third type of disruption is one that is making business models that may have worked for generations obsolete. Take the simple example of retail. Just

15 years ago, online purchasing was not prevalent as people preferred to go to physical malls for their shopping experience. Software capability, online payment worries, and lack of logistics infrastructure were also hindrances in making online shopping desirable. Fast forward 15 years, and, at least among the young population, online shopping and social media have become new platforms for purchasing and personal experiences. Fast forward from 2019 to 2020, and in just one year even older people started relying on online shopping. The COVID-19 pandemic changed the buying habits of humanity in a span of just a few months, driven by necessity as lockdowns crippled the usual physical shopping platforms. We are not going to see this going back to the old norm; online shopping is here to stay.

Take another example of education. Just a few months of lockdowns completely changed how online education is viewed. As students were forced into stay-at-home learning, the deliverers and recipients of education adapted quickly and became used to remote teaching and learning. Yet another example is business meetings and conferences. What we thought was not possible has become a reality and a preferred mode of conducting business meetings and conferences. Business model disruptions will occur rapidly across all industries and affect every person, company, country, and government.

COVID-19 just accelerated all the disruptions and changes the world had already been seeing for many years, driven by the advent of Industry 4.0. Interestingly, the world, companies, and people were resisting the changes that Industry 4.0 brought, but when COVID-19 hit, we achieved a very rapid mindset shift, quickly embraced the changes, and accepted the new norms and way of life.

THE 1929 GREAT DEPRESSION

It is worth drawing lessons from the past. History is a good teacher, and we must look to it to guide us to the future. I therefore looked at what happened during the Great Depression and analyzed the companies that survived that tumultuous period. Perhaps we can draw some lessons that apply to the current and future disruptions.

Here are some key facts about the Great Depression. Many books have been written about what caused it, so I will not go deeply into that but just briefly share some facts.

1. The Great Depression was global and lasted 10 years.
2. It was caused by the stock market crash of 1929 and the US Federal Reserve's reluctance to increase the monetary supply.
3. Investors withdrew money from banks, leading to a banking collapse.
4. Panicked government leaders tried to protect domestic industries in 1930.
5. World trade plummeted 66% as measured in US dollars between 1929 and 1934.
6. GDP during the Great Depression fell by half, limiting economic movement.
7. Unemployment reached 25%.

These are mainly USA-based facts, but other countries faced similar issues.

Winners and Survivors of the Great Depression

In the USA alone, around one-third of banks (11,000) failed, the stock market lost 90% of its value, around 300,000 companies collapsed and closed, and prices of goods and services dropped by 30% from 1930 to 1932. This deflation hurt producers, farmers, and homeowners. By then the economies of Germany, Brazil, and Southeast Asia were also depressed. Globally, companies failed, people became poorer, and the world economy became dysfunctional.

But it was not all gloomy. Remember the saying “Don’t be overoptimistic in good times and don’t be overpessimistic during bad times; there are opportunities at all times.” Look at the survivors and winners of the Great Depression. Some are familiar names, and some stories may be new to you, but each has many lessons for us as we tackle a severe downturn like the one caused by the COVID-19 pandemic. Their stories are summarized in the box below.

BOX 1. SURVIVORS OF THE GREAT DEPRESSION OF 1929.

1. **Movie Industry:** Companies started closing. Smaller companies sold tickets at half price and allowed viewing of two movies for the price of one (double features). They survived. They also gave away free gifts and held lucky draws to attract patrons.
2. **Procter & Gamble:** Instead of throttling down its advertising efforts to cut costs, the company actively pursued new marketing avenues, including commercial radio broadcasts.
3. **Martin Guitars:** The company built up strong smaller retailer relationships, designed lower-cost, high-quality products (using technology), and created a new range of products like violins and wooden jewelry.
4. **Brewers:** It was illegal to sell alcohol from 1920 to 1933. Brewers started running dairies, selling meat, and venturing into other agricultural enterprises. Brewers were also allowed to make “near beer” (root beer). Through product diversification and a wait-out strategy, they came out of the Great Depression stronger.

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5. **Floyd Bostwick Odlum:** After generating cash before the market crash Odlum thought was coming, it had a strong cash war chest to start buying companies on the cheap.
6. **Chevrolet:** During the 1920s, Fords were outselling Chevrolets by 10 to 1. Despite the Depression, Chevrolet continued to expand its advertising budget and by 1931, the Chevy 6 model took the lead in its field and remained there for the next five years.
7. **Coca Cola:** Under the motto “Keep It Affordable,” Coca Cola adjusted pricing to cater to consumers with less buying power. The image of Santa Claus was used in advertising to show his happiness when drinking Coke.
8. **3M:** When people become poorer and cash-strapped, they do not throw things away but adopt the “make do and mend” mentality. 3M tape helped put broken items together again. 3M used technology to develop new household tape products.
9. **IBM:** Accelerated R&D produced state-of-the-art accounting machines to help with complex business bookkeeping. IBM offered leasing in addition to sales for cash-starved customers.

What distinguished the survivors from the rest? If we analyze what all the companies that not only survived the Great Depression but also thrived after it was over did, we see a few common themes worth remembering. Here are some of the winning strategies of those companies:

Modify Business Models to Adapt to the New Normal

The smaller movie companies had to modify their business models. For example, they partnered with popcorn vendors to operate inside their theaters. Selling two movies for the price of one and offering free gifts were other tactics. IBM started a leasing program for the business machines it developed to help ease business processes, whereas it had previously only sold its machines.

Product Diversification/Substitution

Martin Guitars used its base technology to create new products like wooden jewelry, violins, and lower-priced guitars to cater to consumers with less purchasing power. Brewers who could not sell alcohol came out with near-beer products like root beer as substitutes. Brewers also ventured into necessities like dairy products, agriculture, and meat to keep business going while beer sales were down.

Technology Adoption: Adapt and Pivot to New Affordable Products

Adopting technology to pivot to new, more affordable products helped many companies survive and later thrive as they rode out the Great Depression. Martin Guitars focused on technology to produce better-quality, lower-cost guitars and other items that were more affordable. 3M used its base technology to create a new product, Scotch Cellophane Tape, which was launched in 1930. In an era when people were afraid or unable to buy new things, they repaired and mended their older items. The iconic 3M tape was useful for some of those repair-and-mend projects.

The Wait-out Strategy: Survive by Doing Other Things until Recovery

This was what the brewers did during the recession. Rather than simply wait, they adopted a wait-out strategy to keep business going until they could return to what they knew best: brewing beer. In the meantime, they diversified into other products and services that kept their cash flows going. The wise saying, “when the going gets tough, the tough get going” certainly rings true in these trying times.

Cash Is King: Cash Conservation while Looking for Good Opportunities

Floyd Bostwick Odlum was fortunate to have exited the stock market before the crash. The company kept a war chest that allowed it to find good deals on buying failing companies and to invest when others had no cash to do so. Odlum was the only man who made a fortune during the Great Depression. To be fair, some have argued that Odlum had prior insider information that things were not rosy in the lead-up to the Great Depression. Some pundits also opined that he had the benefit of asymmetric market information. That does not explain why other institutional investors who had the same or even more asymmetric market information dared not make the same seemingly counterintuitive moves just before the crash. One can safely conclude that Odlum had foresight as well as the resolve to preserve as much cash as possible while waiting for the good opportunities to come in the wake of the depression.

Invest in R&D, Advertising, and New Market Development

IBM increased investment in R&D during the slow business period and created products to solve the increasing complexity of business processes. It developed the machines to help automate accounting functions, which, coupled with cost-effective leasing solutions, encouraged the rapid adoption of new products. 3M's Scotch tape was also a result of increased focus on R&D at the beginning of the Great Depression. Procter & Gamble increased investment in advertising and created new forms of advertising channels. Chevrolet increased, not reduced, advertisement spending during the Great Depression and overtook Ford to remain in the lead for five years with its Chevy 6 model.

Pricing: Adapt to Lower Buying Power of Consumers

Movie theaters had to reduce prices to bring customers back. Coca Cola pricing remained affordable, and people continued to drink it. Martin Guitars created low-cost guitars, understanding that people needed music to relax from the stress faced during the depression years. Even IBM's leasing model made its products affordable for cash-strapped businesses. The fact is, during the depression, consumers did not stop spending but looked for better deals and cost-effective products and services. Those companies providing cost-effective products and better deals came out stronger later. When economies emerged from the Great Depression, consumers remained loyal to those companies.

Startups during the Great Depression

What about the startup environment during the Great Depression? Three companies that I started during recession years, UTAC, Tri-Star Electronics, and Infiniti Solutions, all did very well. Research has shown that companies born during recession years turn out to be stronger and last longer. That was no different during the Great Depression. Ten companies created during that time are described briefly in Box 2. All were still in operation and going strong as of 2021. It is usually very easy to engage in navel-gazing, wallow in self-pity, and blame the contextual environment for not providing optimal conditions to increase business revenue. Such thinking is counterproductive and an excuse for explaining why businesses fail. To be fair, there are always exceptions where the business environment turns so catastrophic that not even the best of intentions can save a business.

However, from experience, there is always light at the end of the tunnel. I have

personally experienced how the worst of circumstances forced me to innovate in unimaginable ways. Rapid prototyping could cut losses if strategic directions go wrong, creating a “launch and learn” company culture, and an aggressive “go-to-market” strategy could also save a company needless sunk costs. When things go well, quickly scale up, iterate, and repeat until you reach the next obstacle. There is a common saying in startup culture: “Move fast and break things.” Not only is this maxim for small tech startups, it is also a guiding principle for many of the biggest and best companies in existence.

In my earlier APO P-Talk, I spoke about rapid prototyping. Prototypes are nothing new in the business world. The salient difference is how fast startups and businesses can bring prototypes to the market. Prototypes that are tested in real-world environments with real customers are the real deal that leads to success, or at least to survival through the worst of situations, like those companies that survived brilliantly in the Great Depression (Box 2) and still see the light at the end of the tunnel today.

BOX 2. 10 STARTUPS BORN DURING THE GREAT DEPRESSION AND STILL OPERATING TODAY.

1. Disney: In troubling times, the Disney brothers knew that people needed an outlet to make them smile more than ever. After initial struggles, Walt Disney Productions started making Mickey Mouse movies in 1929. **Revenue: \$67.4 billion (2021).**
2. Revlon: The company offered affordable cosmetics and skincare products for cash-strapped people who still wanted to look good. **Revenue: \$2.1 billion (2020).**
3. SEASAC: Established as a licensor of music, it protected the many singers who rose to fame as a result of comforting people with their songs. **Revenue: \$248 million; in February 2017, SEASAC was acquired by Blackstone for an estimated \$1 billion.**
4. Publix Supermarkets: The Publix founder started his own grocery store next door to a Piggly Wiggly grocery where he worked. The

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store not only survived beside its competitor but eventually became the 1,000-store chain of today. **Revenue: \$44.9 billion; 225,000 employees (2020).**

5. Hy-Vee: Because of its good service, Hy-Vee has grown from a small general store offering low prices to cash-strapped consumers to a chain of 225 supermarkets today. **Revenue: \$12 billion; 88,000 employees (2021).**
6. Harp's Food Stores (including Price Cutter Stores): Today there are 114 supermarkets in the Harp's Food/Price Cutter chain located across Arkansas, Oklahoma, Missouri, and Kansas. **Revenue: \$808 million (2020).**
7. Ocean Spray Cranberries: Three cranberry companies merged to come up with a cost-effective cranberry sauce recipe. **Revenue: \$2 billion; 700 grower families (2021).**
8. King Kullen Grocery: King Kullen started by turning a Queens warehouse into a low-cost grocery store in a downscale setting. Today it operates 29 stores in its chain. **Revenue \$800 million; 34 stores (2021).**
9. Fortune Magazine: Launched 90 days after the stock market crash of 1929, during the Great Depression the magazine developed a reputation for its social conscience. **Circulation: 852,202 (2018).**
10. Wipfli: As a provider of such services as tax preparation, business planning, and corporate finance, the startup helped businesses stay in operation during tough times. Today it remains strong as a consulting and accounting service company. **Revenue: \$402 million; in the top 100 in its field; 84,000 clients; 2,900 locations (2021).**

MASTER PLAN FOR SURVIVAL

Based on research and articles on how companies survived and did well during any recession, the single differentiating factor is that almost all had a “survival master plan” either before or as they entered the recession. Some elements of the master plans were unique, while others were shared in common. The stories above of companies that survived the Great Depression summarized several strategies used in their master plans for survival.

In this section, I share a survival master plan I have devised for situations like the COVID-19 pandemic we are going through now. Based on what we know, this may not be the last time such a disruption of the global economy occurs, and it is best if we can learn coping strategies now and for the future.

Using the COVID-19 economic crisis as a basis of how we can plan to survive and win in a severe economic recession and disruption, I suggest ways companies and startups can survive. First, I describe how I see the whole COVID-19 issue playing out from the beginning until full economic recovery.

We must be prepared for three phases of the impact of COVID-19 on the global economy and companies, with a strategy for each of the phases. This is how I see the three phases playing out and the approximate duration of each. These three phases will likely be the same for any type of disruption faced in the future.

Phase 1 (first six months): A **time of chaos and confusion**, near-zero business, and uncertain future as health issues first spread and then stabilize.

Phase 2 (from the first six months to the next one to two years): A **period of survival and collapse**, when businesses restart as the health issues settle.

Phase 3 (beyond two years): The **age of rejuvenation and regrowth** of companies that survived and the birth of **new and stronger startups**.

What is important is to get through phases 1 and 2, while phase 3 will be a period of doing as we normally do. The most critical phase to focus on will be phase 2. During phase 1, there will be chaos and confusion and the dust needs to settle before we can plan our next stages of survival. I suggest these 12 steps for SMEs to survive in the new normal.

Phase 1 Plan (First Six Months): Time of Chaos and Confusion

1. Hunker Down and Survive a Period of Zero Revenue

For many, the reality is zero revenue as lockdowns cause businesses to shut down. But for others, like the food industry in the Great Depression years, business will improve. Recently, in many countries, those in grocery retailing and online businesses such as videoconferences and e-services promoting home learning have seen revenues soar. In such times, enterprises should not surrender quickly but wait for phase 1 to be over. Hunkering down may mean drastically cutting costs like salaries (hopefully temporarily), stretching cash flows, and taking in more money if possible. Just bolster your business so that it does not collapse.

2. Leave No Stone Unturned for Cost Reduction (but Do Not Be Destructive)

As mentioned above, look at every possible area for cost reduction. I mentioned salaries, but there are many more insidious areas such as utilities, transport, allowances, etc. Do not leave any stone unturned. Ask the whole team to identify areas of cost reduction wherever they can be found. But do not go overboard, nor be overly destructive in the process, and indiscriminately cut costs that can prove fatal to the company. For example, do not just fire employees, especially the skilled ones who will be needed when business bounces back. Hiring and training will be costly and may take too long to be ready to ride the upturn. Do not burn bridges with partners and stakeholders. Think with long-term perspectives. Everyone will understand as all will be in the same boat.

3. Look Closely at All Government Assistance Schemes

In times of crisis, governments will undoubtedly step in to help companies. The pandemic has hit SMEs, which are the backbone of many economies and employ an average of 60–70% of the workforce in Asia, particularly hard. Supply chains have been disrupted, customer demand dampened, and cash

flows reduced as a result of travel restrictions, border controls, social distancing, and lockdowns. As a result, small businesses are unable to pay rent, employee salaries, and vendors and creditors, leading to a downward spiral in household and economic conditions. We see many initiatives like cheaper loans, delayed tax payments, halting mortgage payments, property tax rebates (to help with rental rebates), and salary support. Some countries like the UK have even provided up to 90% of salary support to companies for a period of a few months. The Singapore government likewise provided 75% salary support for several months in 2021. Therefore, someone in each organization should be familiar with all the assistance schemes available, and SMEs should make use of every form of help they can qualify for.

4. Immediately Consult with Suppliers, Landlords, and Partners on Whether Payments Can Be Stopped or Delayed

Work with landlords to allow zero rent for a few months and reduced rent for a period. Work with suppliers on giving rebates, discounts, and stretched payment terms. Restructure your payment terms with all partners. While they too need to survive, they have an interest in your survival and in remaining your partners when things settle down.

5. Think Like the Day You Started Your Company

What do I mean by thinking like the day you started? As every entrepreneur knows, the day you started you had no money, you had no customers, and you had no partners. A zero-revenue episode feels exactly this: starting with zero. How did you make it then? You have more responsibilities now than when you started, but you can think of creative, innovative ideas to help redo the beginning. Become a “re-startup,” following strategies like those summarized in Box 3.

BOX 3. THINK LIKE A STARTUP: WHAT DOES IT MEAN?

1. Focus on the net burn rate (focus on cash flow is critical but not enough)
2. Spend like a startup (pull yourself up by the bootstraps again)
3. Treat cash as king (as you did when starting out)
4. Behave like an underdog (rely on survival thinking)

Remember the definition of an entrepreneur? “An entrepreneur identifies a problem, uses innovative ways to solve the problem, and creates a new opportunity using limited resources to create something valuable and meaningful to society.” The key phrase is “using limited resources.” In a severe downturn, you have very limited resources. A good entrepreneur can use those very limited resources to survive. For those who have not started a business before, here are some tips on how to think like a startup during phase 1. While you are focusing on surviving the first six months, start thinking about how you will move ahead in the “life or death” situation faced in phase 2. In other words, start working on your master plan for survival. This phase 2 master plan will decide whether you survive or collapse.

Phase 2 Plan (from the First Six Months to the Next One to Two Years): Period of Survival and Collapse

This is the most important part of the master plan for survival. It is even more important than phase 1 because what you do in phase 2 will determine the long-term future of your company. While in phase 1 (and hopefully you knew that one day a downturn would come and already had plans ready), you should in parallel try to survive the initial phase while planning for the next. This phase will also coincide with the greatest amount of government support in the form of mitigation and recovery measures. Many governments will have begun to implement a variety of interventionary policies aimed at reducing the economic impact of the disruption on businesses, similar to the policies adopted during the COVID-19 pandemic. Some may concentrate on more broad-based policies aimed at mitigating the impact on the economy and all businesses, while others may focus on alleviating the burden on households and sole proprietorships. When the Asia-Pacific MSME Trade Coalition conducted the first pan-Asian survey on the effects of COVID-19 on businesses, it found that the most brutal immediate impacts were on SMEs [2].

Therefore, the focus in phase 2 is on short-term liquidity. Available government support may come in a variety of forms, but some of the most common include the following:

- a. **Tax deferral:** To alleviate the immediate liquidity constraints SMEs face, governments may put a moratorium on income taxes, property taxes, excise duties, and rental payments. Many ASEAN states and Asian

countries such as Japan and the ROK have implemented aggressive tax moratorium measures from January 2020 to December 2021.

- b. **Credit:** Direct lending through state-owned banks, lowering interest rates on special loan programs, increasing the use of credit guarantee schemes, or extending grace periods on existing SME loans may be offered. Governments across the Asia-Pacific were generally quick to extend guarantees to partially secure the credit lines extended to businesses most impacted by the economic fallout from the COVID-19 pandemic. The positive externalities from such measures will reap results further down the road.

Wage subsidies: In such assistance schemes, the government pays a portion of the salary and income benefits to workers who are temporarily furloughed or to businesses to retain their employees' jobs. For example, the Singapore government's Jobs Support Scheme (JSS) provides wage support payouts to employers to help retain local employees during the period of economic uncertainty. This requires very strong support from not just the business community but also taxpayers who must be convinced that the benefits of such assistance outweigh short-term burdens on public expenditures.

- c. **Enterprise transformation:** The government encourages SMEs to "pivot" or change business models or products and services to adapt to the changing business environment. Furthermore, it will provide guidance on how SMEs can weather the crisis, manage their cash flow and workforce, and provide other information that will help them get back on their feet. Across the Asia-Pacific, we have witnessed the rapid digital transformation of businesses, in particular SMEs, to survive the pandemic.

During the Great Depression, several companies did a great job in phase 2, such as IBM, 3M, Martin Guitars, movie theaters, and brewers. The next few questions that come to mind include: What strategies can help weather phase 2? What should your master plan include?

6. Continue to Be in Survival Mode

While you may be compelled to think about restructuring your business models or even get into new businesses (like the brewers did during the Great

Depression), what you know best is your current business, which you may have spent years building. So, the first thing you must do is to focus on keeping your current business afloat if you can. How can you do this? Here are some suggestions:

- a. Plan your business on a 50% demand drop (better still, brace for a market demand plunge of 60% to 80%) for one year at the minimum but try for two years if you can. Redo your business plan to show one- to two-year survivability.
- b. Keep business cycles short.
- c. Inventory turnarounds must be fast.
- d. Keep the accounts receivable cycles short and collect faster.
- e. In the sales cycle, make faster decisions. Do not drag your feet.
- f. Instead of pure cost reduction, focus on improving efficiency. In other words, put more attention on enhancing productivity through innovation and creativity.
- g. Instead of layoffs, try to keep people through salary reductions, shorter work weeks, etc. Employees will be grateful when you do not drop them like hot bricks when the going gets tough.

To summarize: businesses need to become more efficient, keep the burn rate slow, and manage cash flows very carefully. Do not wait; start planning how you are going to manage with such a huge drop in demand and revenues. Write a fresh business plan (even if just a short-term strategy plan) on how you are going to operate for the next two years. Run a tight ship, focus on all the factors than keep cash flowing, and keep everything lean. Based on research, companies that survived a recession and came out stronger focused on the efficiency of their operations and businesses, becoming more productive in the process, i.e., doing more with less. Instead of firing, companies that retained people by furloughing them or temporarily reducing salaries came out stronger after the recession. Therefore, value your talent and do not fire them at the first sign of a crisis.

7. Make Sure You Have Enough Cash to Last Two Years

Cash remains king during this period of “survival and collapse.” Those who can keep the cash flow going for one to two years will survive; those who cannot, will collapse. What can you do?

- a. Understand and utilize government financing schemes around the world.
- b. Continue conserving cash; do not wait until you run out (you should already have ready reserves).
- c. Restructure debts because debts drag down companies. Keep debts low.
- d. Look for alternative sources of investment (venture capitalists, crowdfunding, etc.).
- e. Continue cost reductions. Do not wait, cut losses, and make decisions. The more you save, the more cash you can keep in your company.

Do not keep looking internally, look externally to find out how you can gather all cash resources to keep going for the next two years. Governments will no doubt step in as they have always done to keep credit flowing. Keep your eyes open and look for those measures. At the same time, start speaking with your banks early. Give them confidence that you can survive. Do not wait until things are dire before you speak with banks and other stakeholders. If you have built good relationships with banks and partners, they will likely help you, but do not bet on banks alone. Today, companies have many more funding options other than venture capitalists and banks, so look for all these as soon as possible and definitely before sources of funding dry up.

Although the last point above was to look for alternative sources of funding, in a downturn investors stop investing. Venture capital deals that are almost closed get cancelled. My point is that you can always find money if you make yourself as attractive as possible.

8. Funding Opportunities: Finding Investors

Where do you look for more money in a severe downturn? Is it at all possible to find? I raised money to start my three best companies during downturns,

even severe downturns. For Tri-Star, we raised bank financing at the beginning of the Asian Financial Crisis in 1997. For UTAC, I raised USD138 million at the bottom the semiconductor cycle (and during the Asian Financial Crisis) in 1998. For Infiniti Solutions, we raised USD36 million after the dot.com or tech bubble burst in 2001. It is possible. Let me share some key strategies on how to get investors' money:

- a. Change, modify, and adjust your business model to adapt to the new normal.
- b. Strengthen your intrinsic value, including your investment plan/portfolio (IP), talent/people, market/customers, ability to identify new opportunities fast, and quickly differentiate from others.
- c. Show your team's ability to be agile and adapt to the new normal.
- d. Be ahead of your competitors in identifying new opportunities.

Do not forget, there will always be investors in good and bad times. In bad times, it will be a buyers' (investors') market, while in good times it will be a sellers' (startups') market. What do investors look for in a buyers' market? They look for good deals and to make money later. Make yourself look like a good deal, not just cheap but so attractive that investors will want to partner with you (show them that they can make a lot of money when an exit comes).

As mentioned earlier, rewrite your business plan. The plan should show how quickly you have been able to adapt to the new normal. At the same time, focus on your intrinsic value. Why did people invest in your startup before? They saw value that would make them money. Go back to the basics and strengthen, sharpen, and highlight your new intrinsic values and strengths that clearly differentiate you from others. Your IP, talent, market, and business model must all impress potential investors if you want to receive funding. Differentiate yourself from others if you want to find new money.

9. Funding Opportunities: Other Sources (Direct and Indirect)

Please remember that funding does not just come from new equity investors. There are many other sources of funding that can help you raise money or help you manage your cash flow. Some are obvious; some are not. Remember:

- a. Your current investors are best positioned to give you more funding.
- b. New investors are looking for good deals.
- c. Look for new loans to add to your war chest.
- d. If your customers buy, you get paid.
- e. Your suppliers want to survive, so extend payment terms (this is like additional funding, or suppliers funding your purchases, like Alibaba).
- f. Look at your whole supply chain to see who can help you.

First, those who invested in you before should be the first group you approach. They have money sunk into the company and should have the same interest as you in keeping it afloat. Reach out to them early to share your problems and plans. They are your best bet to receive more money. Following which, other than new investors (the previous section described how to attract them) and banks, there are other nonfinancial institutions and sources of funding that many neglect to look at in tough times.

Your customers are your best source of funds. If they buy, they pay, so focus on how you can encourage them to continue to buy. In the Great Depression, companies had to make their goods and services more affordable for consumers who were already cash strapped. They did not stop spending; they were more careful about how they spent their money. Your suppliers want you to survive because you pay their bills. Working with them early to see how both of you can manage your cash flows is important. Similarly, there are other partners in your whole supply chain who may be able to help you stretch your cash. Look at every potential partner and every area. A little from each stakeholder will all add up to help you survive the crisis.

10. Stay Close to the Ground and Even Closer to Your Customers

Just as you are facing an unprecedented disruption, so are your customers, suppliers, partners, and government. Everything changes, and a new normal will start emerging as the dust settles after phase 1. Situations are dynamic and change fast. You also have to change and adapt very fast to the new normal that emerges. One of the most important things is to know your market and your customers. How is the market changing, and how are your customers adapting

and changing? The more you know about them, the faster you can adapt to continue to serve them. Do not assume that their needs remain the same in good and bad times. Stay close to the ground and stay close to your customers to understand them and serve them well. Some general rules are:

- a. Understand your customers' needs and tailor your offerings to them. Remember that in a recession buying power is reduced but is not zero. Customers look for good deals.
- b. Look for new markets.
- c. Pivot your business and business model.
- d. Use technology to improve efficiency and make cost-effective products.

If you understand your customers, the market, and the needs of consumers well, you can modify or develop appropriate products and services that will meet those needs. In other words, do a new “product/market fit” exercise to stay relevant. During a recession, customers want to have more cost-effective products, i.e., cheaper but not poor quality.

In the Great Depression years, Martin Guitars came out with cheaper products using technology, Coca Cola kept prices affordable, and brewers offered a new range of products to serve an existing customer base as well as attract a new base. Many startups that emerged during the Great Depression are still alive today. IBM created a new market by pivoting its business model. It continued to invest in R&D and used technology to create new business machines and altered its business model to lease equipment to cash-strapped companies that needed IBM products to operate. 3M continued R&D and invested in Scotch tape production, which was useful for people who did not just throw old things away.

Remember that life does not stop in a downturn, and business does not have to grind to a complete halt in such times. Consumption of goods and services will continue, perhaps not at the same level as before, but people do not stop buying. Understand the changing needs and wants of your customers and then adapt to serve them.

During the Great Depression, consumer spending remained fairly good, as shown in Box 4. Consumers did not stop spending money, but looked for good deals,

cost-effective products, and value for money. The companies that adapted, like Martin Guitars and the many grocery stores that provided cheaper products, survived and thrived. Many who started during the Great Depression years are still around today. Better still, when economies recovered from the recession years, customers remained loyal to those companies that gave them value for money. Stay close to the ground, listen to your customers, and understand their changing needs to find opportunities even in a severe downturn.

BOX 4. MASTER PLAN FOR SURVIVAL.

Staying close to customers

1. During the depression, customers didn't stop spending but they looked for better deals and cost-effective products and services
2. Those companies providing cost-effective products and better deals came out stronger later
3. When economies came out of the depression, consumers remained loyal to such companies

Consumer spending by product type (\$ billion at 1987 prices)

| | Perishable | % decline | Semi-durables | % decline | Durables | % decline | Services | % decline | Total | % decline |
|------|------------|-----------|---------------|-----------|----------|-----------|----------|-----------|-------|-----------|
| 1928 | 164.3 | | 59.9 | | 38.4 | | 269.6 | | 532.3 | |
| 1929 | 168.3 | | 61.7 | | 40.3 | | 264.4 | | 554.8 | |
| 1930 | 164.8 | 2% | 56.1 | 9% | 30.9 | 23% | 269.0 | 5% | 520.5 | 6% |
| 1931 | 164.4 | 0% | 53.6 | 4% | 26.4 | 15% | 257.6 | 4% | 501.9 | 4% |
| 1932 | 154.1 | 6% | 46.9 | 13% | 20.0 | 24% | 236.0 | 8% | 456.9 | 9% |
| 1933 | 151.1 | 2% | 42.7 | 9% | 20.2 | -1% | 233.5 | 1% | 447.6 | 2% |

11. Communications Must Be Fast

Many entrepreneurs tend to underestimate the value of good communication, especially in a crisis. Looking at how many governments handled the COVID-19 situation, there are examples of great communication and poor communication. The great examples were transparent, clear, and gave coherent instructions and guidelines so that people felt confident listening to their leaders. For example, the

New Zealand prime minister spoke daily with a consistent structure giving updates and advice. In Malaysia, a spokesperson went on TV at 5:00 PM every day and gave consistent updates, data, and instructions. People knew what to expect and where and when they would get new updates and instructions from one voice. There were also a great many leaders who were not transparent, did not have a consistent structure, gave confusing messaging, sometimes changed instructions multiple times a day, and did not appear at a specified time each day, plus there were too many people giving instructions, thus confusing the population. While many governments in Asia were transparent, most of the other qualities of good communication were lacking at the onset of the pandemic [3]. In a crisis, communicate more, communicate regularly, communicate clearly, and communicate consistently with a proper structure so that people's trust is maintained, they remain confident that you are in control, and all realize that you know what to do. Please communicate well following these guidelines:

- a. Keep all your stakeholders informed of what is happening. Stakeholders are just as confused and worried as you are. The earlier you communicate, coordinate, and consult with them, the more reassured they may be. They will thank you for being transparent.
- b. Remember that suppliers are also in the same boat. Let them know the situation you are facing, how you are managing, and what help you need. The business world is intertwined. If you falter, they may not stand to gain either. It is not a zero-sum game when it comes to a crisis that knows neither allies nor foes. All businesses are impacted by the COVID-19 pandemic.
- c. Your customers should remain confident that you can continue to serve them, so speak with them regularly. Listen to their needs and meet their expectations.
- d. Employees too need to be updated on the company's situation, plans, and future to keep them loyal and committed. Keep them as your best advocates and goodwill ambassadors.
- e. Do not forget all other actors such as your banks and supply chain partners, government agencies, trade associations, and others. All hands are on deck in a common crisis.

All stakeholders who have an interest in you should know as much as possible about what is happening and feel that they can continue to count on you. This includes employees, investors, customers, suppliers, and all other partners.

Remember, phase 2 is a period of either survival or collapse for your company, so this is the most critical stage during any severe downturn. How well you do during this phase will determine how strong your company will be in the future and how long you will last. Research has shown that companies that manage to cut costs deeper and faster and those who continue to invest (because they have the cash), do better than their peers when the upturn comes. While you achieve some stability during phase 2, start planning for phase 3.

Phase 3 Plan (beyond Two Years): Rejuvenation and Regrowth

I will not spend too much time on this part because this is something will naturally happen as you go through phase 2, the survival phase. While you are surviving, you should be planning for your company's future too. If you survive well and come out strong, you will do well in the new normal. One research paper showed that 85% of companies that were growth leaders in a downturn toppled in bad times, which means they did not have a master plan for survival and came into phase 3 as weaker companies.

12. Devise a New Strategic Plan for Your Company

Planning for phase 3 is just like making a new strategic plan for your company. I explained earlier how you can do strategic planning. I will just add the key things that you can do before you enter phase 3 of a severe downturn. Here are the elements to pay attention to:

- a. Do a SWOT analysis of your company.
- b. Identify the opportunity gaps early.
- c. Restructure your business model and business structure to win in phase 3.
- d. Start investing early in technology, market access, and skills.

CONCLUSION

In summary, when you start entering a downturn or a crisis, make sure that you have a good master plan for survival. Managing cash and cash flows carefully is a priority. Costs should be eliminated wherever possible. But in reducing payroll, the focus should be on cutting the overall overhead while retaining talent, and thus wage cuts should be favored over layoffs. Once costs are reduced, prices should be brought down to match consumer expectations.

This current crisis has surprisingly also illustrated just how real disruption can be, especially when global supply chains are disrupted, travel restricted, and social distancing implemented. It has exposed the gaps in operations and technical investments, particularly in SMEs. The refrain is that COVID-19 was the C-suite actor that accelerated digital transformation. In this connection, it is now important for businesses to start thinking more strategically about technology and digital capabilities and investing in upgrading their technology capabilities as a must-have and not just a “nice to have.” Leveraging the new digital working order will require strategic thinking around where the best opportunities lie to deliver lasting business value, customer experience, and employee satisfaction [4].

It is worth noting that the rate at which digital adoption has occurred across all areas of the economy and society has been phenomenal. Working from home forced companies and employees to adapt and adopt technology, and many detractors who felt that working from home could not work were proved wrong as we all have now seen. Remote learning also took a great leap; schools, educators, and students had no choice but to teach and learn through digital platforms. Companies that quickly pivoted and adopted digitalization saw increasing sales and profits, and many also developed new business models and acquired new customers. Today, there are many low-cost solutions that SMEs can benefit from, like the Cloud and “anything-as-a-service” concept, meaning

that all types of businesses can transform themselves. Rapid automation and having a digital workplace strategy can also help SMEs benefit from workflow optimization, significant cost reductions (like reduced office rentals), boosting productivity, and many more.

During this period, SMEs will do well to scrutinize the government mitigation and recovery measures available to assist them. Governments across the Asia-Pacific have begun to implement a variety of policies aimed at reducing the economic impact of the COVID-19 pandemic on businesses. Some have concentrated on more broad-based macroeconomic policies aimed at mitigating the impact on the economy and all businesses while looking into support for households and citizens. Many countries are also using a variety of interventionary measures to particularly assist SMEs during this difficult period. The focus right now is on bridging SMEs' short-term liquidity gaps.

If you can create a war chest of cash in the company, you may find good opportunities to invest while others cannot. You may find good buys, like cheaper assets (plant, machinery), skilled talent, technology, or acquiring another company. In a crisis, there will be opportunities to invest in new areas, so be prepared to do it. Do not just focus on cutting costs but also prepare for the future by investing in areas that will allow you to tap opportunities that may arise.

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