



# BUSINESS NEWS

"What I fear is complacency. When things always become better, people tend to want more for less work."

– Lee Kuan Yew, Speech at the 10th anniversary celebrations of the Jalan Tenteram Community Centre, 27 June 1970

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## SURVIVING THE CURRENT ECONOMIC WAVE IN MALAYSIA...



**By: S. Khugan**

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### THE SITUATION...

Malaysian's are currently going into an Economic frenzy with the Ringgit devaluating against the US Dollar... Businesses are on a PANIC Stride.

A recent meeting prompted me to write this article... That IU hope would at least calm some nerves.

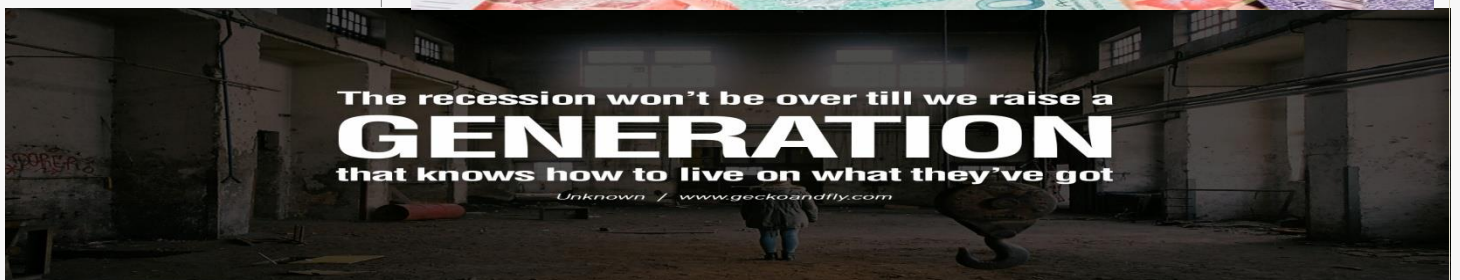


You Dont Make The Poor Richer.. by Making The Rich Poorer!!!

Winston Churchill

The recession won't be over till we raise a **GENERATION** that knows how to live on what they've got

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# SURVIVING THE CURRENT ECONOMIC WAVE...

I was having lunch with an Investment client from the Middle East last week that prompted me to write this article. We are all worried about the current country's economic turmoil and drastic currency drop that we have all gone into a Financial Frenzy that is actually hampering our daily lives and more so, the way we are handling our business operations and most importantly scaling down costs that seem to be affecting the innate value of our companies.

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Let me explain my point in detail.. no doubt that times are bleak currently, only because we are concentrating so hard on our revenues or rather our loss of revenues currently that we are rewriting our books cutting down costs and laying people off work as "Survival Instinct" has taken over.

How can we make ends meet when I can't cover my costs??? But yet everyday if you ask any developer Houses and Condominiums are still being launched and sold, Mercedes, BMW's and even Ferrari's are still being imported and sold, gold and diamond merchants are still open for business...So what do they know that we don't???



Seriously this is nothing more than a mentality of **FEAR** that has been created from the current perception and anxious outlook that most Malaysians have when they are influenced by the media and current political situations affecting the country lately. I know a lot of our clients in Trading, Construction, Manufacturing, etc who have started to pull the hand brake and scale down their business significantly...but is this the right decision???

Now back to my lunch! I was with my client and we chatted about the economy and fears of Investors and why suddenly Investors are pulling off and so forth. He suddenly broke out laughing and said "I never expected to hear this from you my friend?" when I asked what? He explained that I was so caught up with the same problems that I did not see things

from a Professional Consultants point of view...which is **"There is a Profit to be made in every Economic Situation!!!"**

What's worse is that I had actually quoted this to him in 2007 when he was apprehensive about going into another Investment at that time, to answer your question yes it was profitable and he made money out of it. What I am sharing with you is what I learnt from my lunch meeting that day. A country is bigger than any Individual, any Government or an economic crisis. Though it is fine to be updated by the said events but it is more important to prepare your business for weathering through the tough and challenging times.

True genuine Investors know how to ride their investments through any economic times and only the new and inexperienced ones are nervous and will pull out in times of trouble, as like you and me they factor in situations that are publicized in the media and make speculations on a variety of things.

It made me see things through a different perspective as truthfully the events of the last few months have been overwhelming even for me, why do I phrase it **"as even for me?"** as a Professional Consultant my job is to advise my clients

and find solutions to their problems and not be wallowing in the very same problems.. By doing so I definitely would not be doing my job right.

Truth of the matter is that if I felt it then it was affecting my clients a hundred times more as whether I realized it or not maybe I had increased their fears rather than decreasing them at a subconscious level. I woke up and now I am trying to help you do the same...



## A HISTORY LESSON

### ASIA FINANCIAL CRISIS – 1997 TO 1998



Relatively after 15 years after the Latin American debt crisis of 1982, history repeated itself in Asia. In July 1997 Thailand's currency, the baht, collapsed when the government was forced into floating it on the open market. The country owed a huge amount of debt to foreign entities that it couldn't pay even before the currency plummeted drastically. At that time the same panic arose in Thailand as analyst thought that Thailand was going to go bankrupt...yet today they have recovered economically and Investors that saw the opportunity has made billions.

Similarly to what had happened in Latin America in the 1980s, the crisis spread across the region, with South Korea, Indonesia, Laos, Hong Kong and Malaysia also affected. At that time strong warnings were issued to these Asian governments about the risks they faced, but that these concerns were largely ignored. As we always knew what we are doing...sounds familiar doesn't it??

We have always been proud being Asians: 'we're different from Latin America because we have Asian values and because we work harder and have a savings culture', or so we thought? "But we were involved in the same practices of over lending to the consumer area and in real estate. There is a similar phenomenon in all of these crises, which is that people like to think they are different and that experiences elsewhere do not apply to them." If you are in the business field today you know we are heading down this road once again...

The crisis certainly took many by surprise. Most Asian governments believed they had the right economic and spending policies in place, but nonetheless the crisis necessitated a US\$40 Billion bailout by the IMF. Only one year later, in 1998, a nearly carbon-copy crisis happened in Russia. But thankfully our Premier at that time had the foresight to peg the US Dollar... Probably that's one lesson we missed at this juncture of time.

### THE ECONOMIC PANIC CAUSED BY 9/11 USA

At the time we saw the two planes hit the World Trade Centre on TV we were in such horrific shock that the world's largest economy could be hit like this, how would it survive??? American analyst said that Al Qaeda had fulfilled their destiny in destroying the American Economy. As David Pinsen wrote in an April, 2011 article "Al Qaeda meant to sabotage the U.S. economy with its attack on the World Trade Center, and 9/11 did wound the economy in the short term...but without the rate cuts and military spending that followed, we might have been in for our longest post-WWII recession at the beginning of the last decade, on the heels of our longest economic expansion.

"Instead, the recession that started in December of 2007, and (officially) ended in July of 2009, ended up being our longest post-WWII recession. So perhaps the larger economic effect of 9/11 was to delay the record recession that would have otherwise followed the record economic expansion of the 1990s."

Does this mean that that tragic incident actually re-bounded the American Economy? Actually what it meant was that the events just structured the country to what it had to do to ensure there was no economic chaos for the period that every trader around the world was either gleaming with Joy when the US Dollar depreciated or Worried to death depending on which part of the trade spectrum they were at.

Published in July 2009, a comprehensive study led by USC's Center for Risk and Economic Analysis of Terrorism Events (CREATE) found that the economic **impacts of Sept. 11, 2001 were less severe than previously estimated.** The 9/11



attacks reduced annual GDP between \$35 billion and \$109 billion, or 0.5 and 1 percent, the research team determined. Previous studies estimated losses as high as \$500 billion, or 5 percent, of annual GDP.

Here is a quote from a famous American Expert after the effects of 9/11:

***There are two rules that cause big incentive problems in this area and cause people to commit acts of terrorism:***

***1) It's easier to make a big bad thing happen than a big good thing.***

***2) It's easier to profit from a big bad thing than a big good thing.***

***And modern markets give people ways to profit from these bad activities just as easily as - and in many cases more easily than - good activities.***



"I think instead of worrying about why people don't believe in you, we should worry about why you don't believe in yourself."

So once again the panic was unwarranted, but at that time it was the mindset of people like you and me that had created the problems through Fear and Worry in the first place!!! Though we all sympathize with the cause and effects of 9/11 and have our own prejudices against it, there was profit to be made just hours after the incident and I know some of these companies personally... But was it wrong to profit at times like this??? That's for you to decide...

Above are just some of the examples that I am giving you as I don't want to bore you with my article, there are several other economic crises that the world and mostly we in Asia have experienced in the last 40 years, but I can bet none of you can name even two other events as they have been resolved and we have moved on just like Thailand and Japan and Indonesia and even here in Malaysia.

My point is that **"Stop Worrying"** about what is going to happen in the country and start focusing on your Business needs. Please don't get me wrong I am not a Politician that is telling you that all is fine, on the contrary I am reiterating that the fact that the threat the country is facing is very real, but it should not be affecting you as an entrepreneur as much as you perceive, as whether your reasons are you have chosen to go into business now you have to make the business survive at all cost and that's what I am trying to get you to do....

Now let's look at the advantages that we can derive from the current economic predicament that we are facing at the moment:

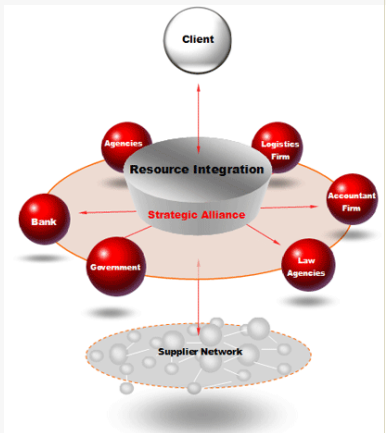
1. **INCREASED FOREIGN INVESTMENT** – As I said earlier what we read about in the media are what we call new and panicky Investors who do not understand the fundamentals of surviving in a given economy, as the more experienced Investors are always willing to invest as they hedge their Investments very well through companies like us. A weaker Ringgit always stimulates Foreign Direct Investment (FDI) and that would indirectly boost the sales of Stocks and Bonds in the country.
2. **EXPORT GROWTH** – A weaker Ringgit becomes a stimulus to Manufacturing and Trading businesses in Malaysia, as now their goods and services and products become more affordable in targeted foreign markets and this in turn would mean a higher volume of sales due to the devaluing Ringgit. This increase in Demand would increase the profits margins and awareness of Malaysian made goods for the local producers and traders.
3. **TOURISM BOOST** – If marketed right, the current economic situation is ripe for the attraction of foreign tourists into Malaysia. Sectors such as Tourism, Travel Agencies, Hotels, Car Rentals, Retail Outlets, Malls and Restaurants if form a coalition can generate revenue like never before. The current exchange rates at time of writing were **1 USD – MYR 4.23 and 1 SGD – MYR 3.02**. Foreign tourists



benefit greatly by a weaker Ringgit as it gives them a higher purchasing power. It is similar to those Malaysians who make trips down to Bandung and Bangkok just for a Shopping weekend. What do you think stimulates our friends in Singapore???

Now that we have seen the positive effects of the Falling of the Ringgit, how does that help your business at a time like this:

1. **STRATEGIC ALLIANCES** – This is the time to set up strategic alliances with foreign companies to come in and help bail out your operations. Instead of worrying on how to make payments and making ends meet, make your business viable and interesting to foreign investors to come in as a **Strategic Alliance Partner** (SAP). If you don't know how to go about it call us anytime.
2. **AWARENESS** – Another aspect of your business at this time is to expand and not tighten your belt. If your potential clients do not know who you are then how are you going to increase your revenue streams and maintain the bottom-line. There are several ways to create or expand your awareness without forking out too much money at this critical time. Again If you don't know how to go about it call us anytime
3. **BANKING** – This is something that I need to stress on, I hear 9 out of 10 of my clients complaining about how the banks are tightening their loans and they are worried about their business and so forth. My question to them is that



Best way to sell something: Don't sell anything. Earn the awareness, respect and trust of those who might buy.

Jeffery Gitomer

have you tried showing the banks the viability of your business or are you going to them with the same complaints and concerns? If you are in a state of WORRY and DESPAIR! Who on earth is going to lend you any money???

Banks or anyone else, it's all in your mindset and your self confidence!!!

These are some of the reasons as to how you can overcome the current economic crisis for your business, there are a lot of other ways, but as I said earlier I don't want to bore you with too many details.

### **MORAL OF THE STORY:**

There is always **"A LIGHT AT THE END OF THE TUNNEL"** that has always been my personal philosophy, but you need to really try hard to find it. We Malaysians are always caught up in problems and negativity that our Tunnel's darkness never seems to end.

Please don't think that I am blissfully giving you this advice, believe me I have been where you are at now. When I was growing up my Dad was like most of you who worried about everything, especially the political environment, I hardly read the papers then, if I wanted to know something I would just ask him and I would get the full picture of the country's political and economical conditions in less than an hour. He was probably the most intelligent person I was privileged to know.

However due to his over thinking and scenarios created in his mind due to his personal analysis of the problems he read, he was always at a state of depression and that in return ruined his business and him personally.

It was then that I knew that I had to change my mindset or I would turn out just like him. I had to work very hard to change myself and my mindset as my job is so crucial, for the survival of my clients businesses is my priority. So the point of the matter is that I have realized in my business that over 90% of the business sector in Malaysia thinks like my Dad and that is why we take every step bleakly and in constant worry.



**So please for the love of GOD! STOP IT AT ONCE!!!**

Take a deep breath and analyze what is going on in your business and look into the salvation of your business through solutions.

If you can't figure it out, then get the help of professional companies out there who would help you get your business on track. You don't see a doctor on your dying bed, you see a doctor to prevent or cure your current ailments. In closing I just want to reiterate that things are not as bad as you perceive them to be . Look around you with a calm and positive mind and you will be able to find the solutions.

In the words of the great Einstein –*“The Solutions cannot come from the same mode of Thinking that created the Problem in the first place”* Think about this and it will solve your many problems...

***Till My Next Post....Please have a Profitable Week Ahead and Best Regards Always!!!***

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