

Best entrepreneurial practices of the Southern Province entrepreneurship in Sri Lanka

Perera H.S.C. and Ambalangodage D.

Department of Accounts and Finance, Faculty of Management and Finance, University of Ruhuna, Matara, Sri Lanka

Abstract

The focus of this article is to identify the best entrepreneurial practices of entrepreneurs in the Southern Province of Sri Lanka. Entrepreneurs are playing a key role in the development of the country and in enhancing the standards of living of the citizens of Sri Lanka. It is generally believed that the South is famous as a garden of entrepreneurs. They are engaged in various industries, and contribute towards developing the province and the country at large. This article identifies and discusses their best practices. To identify the best practices, entrepreneurs of six organizations were interviewed relating to the areas of networking, quality, rewards and recognition, attitudes, controls and information. These were unstructured interviews to encourage them to present their ideas freely. But the researchers carefully guided them to limit their views to the above areas. Customer satisfaction, risk taking and bearing, dealing with human being, adapting to environmental change and management by wandering around are seen as their best practices.

Introduction

The concept of entrepreneurship has been a subject of long debated. Even today there is no consensus on the exact meaning of entrepreneur or entrepreneurship (Baig 1990). Entrepreneurship symbolizes the spirit of enterprise. It is conceiving the idea, starting a business concern, assembling, organizing and managing the resources together with existing technology to effective use in production of goods and services. The spirit of bearing risk in economic sphere for profit, characterizes further entrepreneurship. These risk bearers are called as entrepreneurs (Cantillon 1971). It shows that, entrepreneurs are a motivated and talented class of people who foresee the potentially profitable opportunities and try to exploit those opportunities towards achievement of organizational objectives.

Within a nation, the fundamental role of companies is to create economic value addition (Garelli 1997). This value addition process requires capital, technology, labor, natural resources, etc. (Ibid p.13). Whether it is a centrally planned economy or a market economy, the companies of the respective countries are responsible for wealth creation.

It is encouraging to mention that, entrepreneurs are playing a key role towards country's development and advancement of standard of living of the people and wealth creation of Sri Lanka. It is generally believed that, Southern Province is famous as garden of entrepreneurs. The province covering three districts namely Galle, Matara and Hambantota has a population of 2.37 million (Department of census 2001). Out of the population, 2.7% account for entrepreneurs in the province (ILO, SIYB Project, October 2000). These entrepreneurs are engaged in the production of food and beverages, textile apparel and leather, wood and wooden products, tea, rubber and plastics, manufacturing, construction, trade and hotel, mining and quarrying, transport and services industries (Department of Censes 2001). Most of these industries are small scale and only a few can be categorized as medium scale industries. These entrepreneurs have provided livelihood for the majority of the labour force in the districts and provide economic benefits to the province and the country in general. Entrepreneurs in manufacturing, leather products, food and beverages, trade and hotel sector are relatively important in the Southern Province. In this connection this research focuses as on to identifying the best entrepreneurial practices of the Southern entrepreneurs.

Methodology

The data collection of this research comprises of a sample survey. The sample was selected purposefully based on easy access to the organizations. Furthermore sample was selected so as represent large organization in the Southern Province and number of years of service were considered. Therefore it was unable to follows the scientific method of sampling and sample was selected purposefully. The sample consisted of six business organizations in the Southern Province of Sri Lanka. They included Silicone Coatings (Pvt) Ltd (Nippolac), Fibretec, Midigama Fruit Farm, D. Samson Industries (DSI), Lucky

Lanka Dairies (Pvt) Ltd. and Milton Hotel and Travels. A profile of the sampled organizations is given below in Table 01 in terms of name, age of the organization, nature of the business and product, average number of employees and location.

Table 1. A profile of sampled Organizations

Name of Organization	Age of the Business	No of Awards	Nature of Buyers and Product	Average Number s of Employ ees	Location
DSI	40 years	10	Manufacturing leather product	1250	Galle
Fibretec	16 years	04	Fibre Glass Product	225	Matara
Nippolac	23 years	07	Paint Manufacturing Industry	200	Hittatiya, Matara
Lucky Lanka Dairies (Pvt) Ltd	13 years	04	Diary Products	110	Kamburupitiya, Matara
Milton Hotel and Travels	15 years	03	Hotel Service	65	Unawatuna, Galle.
Midigama Fruit Farm	05 years	-	Eco fruit farming	60	Midigama, Matara

Source: Survey results 2002

According to data given in Table 1, organizations in the samples belong to manufacturing, food and beverages, trade and hotel industries. During their long history, the sampled organizations have acquired managerial and resource capabilities which have been blended within the spirit of entrepreneurship enabling them to venture into value-added production for both local and foreign market. The organizations in the sample characterized the features of typical Sri Lankan Southern business culture.

Search for best Entrepreneurial practices

The present study is an attempt to understand the best entrepreneurial practices of major business organizations in the southern province. The researchers attempted to understand the best practices of those entrepreneurs who are leading the selected organizations in terms of their possible contribution to net working, quality, rewards and recognition, attitudes, controls and information. In identifying what the entrepreneurs do best and their likely impact on the six areas mentioned above, the researchers relied largely on qualitative data gathered through interviews with the respective entrepreneurs of the relevant organizations. These interviews were based on unstructured open-ended questions. Their ideas, tape recorded while interviewing and open-ended questions posed to them deals with exploring their answers in more depth in relation to above six areas. Care was taken to confine them into the six areas by the researchers. Further, the production processes and all office activities were observed to verify their answers. The time consumed for interviewing entrepreneur was about two hours and observation was limited to one hour

The each best entrepreneurial practice that has been recognized is typically general in the Southern Province but not typically individualistic. The best entrepreneurial practices are stated and described on a tentative basis and their validation would depend on further study on a larger sample.

Best Practices of Entrepreneurs in Southern Province

1. Customer Satisfaction

Satisfaction is the level of a person's state resulting from comparing a product's perceived performance (or outcome) in relation to the person's expectations (Kotler 2000). Thus, the satisfaction level is a function of the difference between perceived performance and expectations (Ibid, p .40).

Today, we can see many companies are aiming for high satisfaction because customers who are just satisfied still find it easy to switch over when a better offer comes along. Those who are highly satisfied are much less ready to switch over. Buyers normally form their expectations from their past buying experience, friends and associates advice, and marketers and competitors information and promises.

Southern entrepreneurs have adopted this process well. 80% of them are engaged in increasing expectation of target customers and delivering performance to match. All of their activities are aimed at total customer satisfaction (TCS). All of the entrepreneurs target their product to local market but Fibretec and DSI target their products to local as well as international. Table 2 provides details on their target market.

Table 2. Target Markets of Entrepreneurs of Southern Province

Organize	Target			
	National	Remote	Urban	International
DSI	✓	✓	✓	
Fibretec	✓	✓	✓	✓
Nippolac	✓	✓	✓	
Lucky Lanka Diaries (Pvt) Ltd	✓	✓	✓	
Milton Hotel and Travels	✓			
Midigama Fruit Farm		✓	✓	

Source: Survey result 2002

These companies are doing their marketing activities aimed at their target market. The entrepreneurs believed that, the better offer results high satisfaction of customers. The fact is that high satisfaction or delight creates an emotional affinity with the brand, not just a rational preference, and this created high customer loyalty. The challenge is to create a company culture such that everyone within the company aims to delight the customer. All these organizations are using various tools to track customer satisfaction. Within these methods of tracking the followings are important.

- Complaint and suggestion system
- Customer satisfaction surveys

Above two methods of tracking customer satisfaction are practicing differently. For example DSI switched on to complaint box system to complaint suggestion system. Further they have provided prescribe form to their employees especially on upliftment activities of product, business environment and customer relations. A suggestion committee evaluates these suggestions and evaluates all suggestions, selects the best and provides rewards to employees.

All these organizations rely on research and development activities. Especially three organizations (Nippolac, DSI and Fibretec) engage highly in R and D activities. All of them have allocated 5% to 7% for R and D activities from their total expenditure. With the help of their R and D sections they engage with customer satisfaction surveys. These organizations are using random sample surveys of their recent customers to find out how customer feels about various aspects of the company's performance. All of them are using method called problem analysis: Ask respondents to list any problems they have had with the offer and to list any improvements they could suggest. By using these suggestions all of these organizations are making decision (changes and improvement etc.) with their marketing concerns (product, price, place and promotion). Further the entrepreneurs of these organizations said that they are highly concerned about the positive word-of-mouth of customers; because it indicates that the company is producing high customer satisfaction.

Customer Retention and Satisfaction

The processes of keeping current customers are called retention (Kotler 1994). All of these entrepreneurs are recognizing the importance of retaining current customer rather than attracting new customers. This does not mean that they are doing nothing with attracting new customers. They recognized that company could improve profits by reducing customer defections but their accounting systems fail to show the

value of loyal customers. All of them are putting forward their strategies to erect high switching barriers. Because they believe that the unique (features) attributes (Nippolac, Fibretec, DSI, Milton Hotel and Travels) of their products causes less inclined to switch their served customers to another supplier. But, study shows all these organizations are highly focused on presale activities and sales activities and less on post sale activities.

Customer relationship and satisfaction

Companies are always seeking to improve their relationship with their stakeholders especially with their customers. Especially these organizations have tried to improve the relationship of their sales, sales persons and customers and they are practicing the level of relationships as given in Table 3.

Table 3. Different levels relating to customers

Name of the Organization	Levels of relating to customers				
	Basic	Reactive	Accountable	Proactive	Partnership
DSI		XX			
Nippolac		XX			
Fibretec		XX	XX (Foreign Market)		
Lucky Yogurts		XX			
Milton Hotel and Travels	XX				
Midigama Fruit Farm	XX				

Source: Survey results 2002

Table 3 indicates that two of these organizations are practicing basic marketing: The sales person sells the product but does not contact the customer again and other four organizations are practicing reactive: The sales persons sell the product and encourage the customer if he or she has any questions or complaints. Only one organization is practicing the relationship called Accountable: where Fibretec is practicing with foreign customers. The sales person phones the customer a short time after the sales to check whether the product is meeting the customer's expectations.

In relation to the customer satisfaction a company should not pursue and satisfy every customer. All of these southern organizations are in line with providing satisfaction only to their profitable customers. A profitable customer is a person, household, or company that yields revenue stream overtime, exceeding by an acceptable amount of the company cost stream of attracting, selling and servicing that customer (Kotler 1994). Through these companies are failing to measure individual customer profitability they are measuring it by using segments and with products wise. The Table 04 shows the details of these profitable segments.

Table 4. Profitable Customer Segments

Organization	Profitable Segment
DSI	Village areas
Nippolac	Rural and government customers
Fibretec	Town areas and foreign countries, such as, India, Canada, USA, Australia, Singapore, Belgium, Oman
Lucky Yogurts	Village areas and school s
Milton Hotels and Travels	Foreign Customers and local customers
Midigama Fruit Farm	Rural areas

Source: Survey 2002

Above facts shows that all of the aforesaid Southern Organizations are in line with customer satisfaction and each of them using most of the methods of satisfying their customers. The Figure 01 illustrates this practice in more detail.

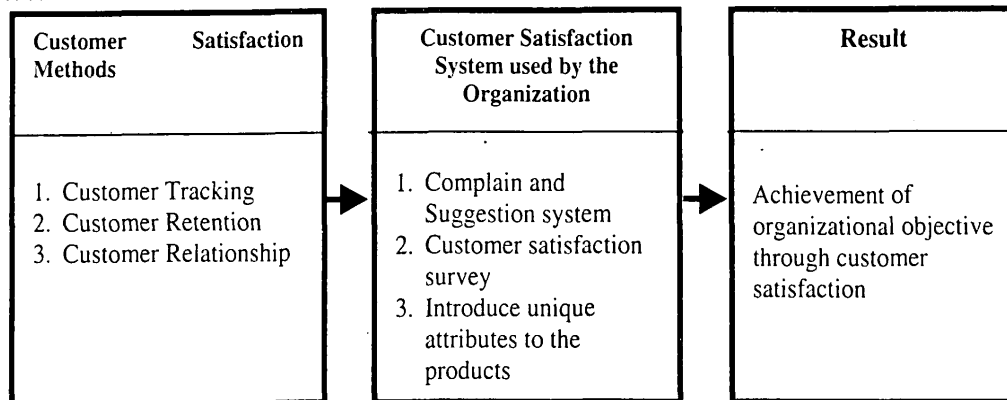


Figure 1. Customer Satisfaction Practices

Source: Survey results 2002

2. Risk Taking and Risk Bearing

McClelland identified two characteristics of entrepreneurship. That is

- Doing things in a new and better way (innovative)
- Decision making under uncertainty.

The second character implies that entrepreneur must have risk bearing capabilities and decisiveness. On the other hand, entrepreneurs prefer to set goals that require a high level performance, the level that they believe will demand exertion and that they are confident to meet. The potential variations in outcomes are defined as risk (Williams *et al.* 1995).

The concerned person guides entrepreneurial thinking and activities in a pragmatic way. Entrepreneur gathers available facts, study them and determine a course of action with a cool headed concern for its practicability. They do not deceive themselves by wishful thinking. When they have insufficient facts to desire the situation completely, they precede with confidence and their own ability to overcome unforeseen obstacles. They take a risk in a calculated fashion. The moral dimension of risk and uncertainty tells that humans are motivated to deal with risk.

Study looks at these dealings very carefully and identifies it as a best practice. These risks are generating within these organizations from;

- Physical environment : such as drought, excessive rainfall etc.
- Social environment : Changing moral and values, fundamental human behaviors, social structures and institutions.
- Political environment : Present government rules regulations and policy changes
- Operational environment : Processes and procedures of these organizations. In other words fails or succeeds of the activities of these organizations included into this risk.
- The Economic environment : The risk come through inflation, recession, depression interest rates, credit etc..
- The cognitive environment : Perception, realities, and uncertainties (doubt about their ability to predict the future outcome of current actions) are considered in this concern

These organizations are using various techniques to identify the above potential risks and they demonstrate tremendous improvement in organizational performance. They are using risk identification methods such as

- Financial statement method
- Flow-chart method
- On site inspections
- Planned interactions with department / units
- Interactions with external resources
- Contract Analysis

These decisions are guided towards achievement of the organizational objectives by using the above-identified risks. Further they are managing this risk with high commitment on goals, dedication, courage and vigor, self-confidence and monitoring towards the goal with determination. Propose model in Figure 2 can be used as a pattern of this success.

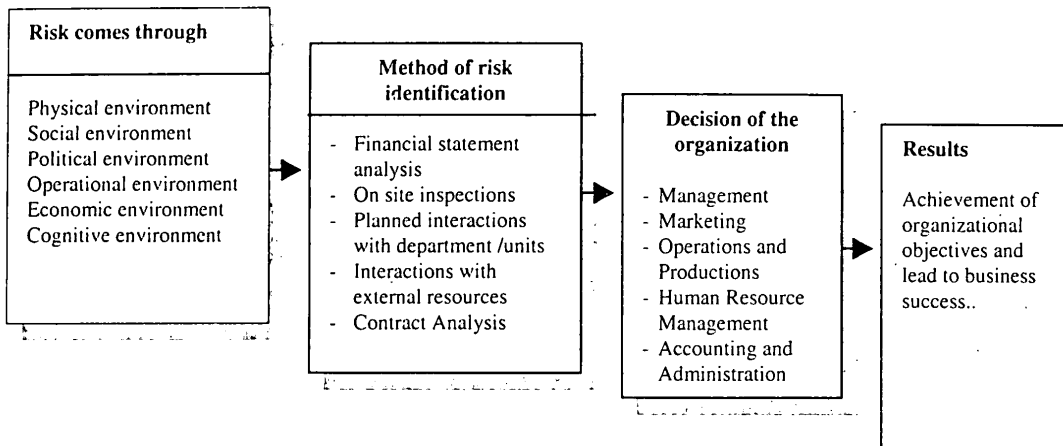


Figure 2. Risk taking and bearing practice

Source: Survey results 2002

3. Dealing with Human Beings

There are many aspects to management but the one essential ingredient of any successful entrepreneur is the ability to handle effectively. Popular books on management and the nature of organizational effectiveness appear to take a positive view of human nature and support an approach, which gives encouragement for people to work willingly and to perform to the best of their ability (Blanchard and Johnson 1983).

It is important that managers have a highly developed sense of human perception and understands the feelings of staff, and their needs and expectations. It is people who are being managed and people should be considered in human terms. A genuine concern for people and for their welfare goes a long way in encouraging them to perform well.

According to the discussion we have had with them regarding managing people all entrepreneurs express that our job is dealing with human beings rather than with the work. It does not matter if we have anything to do with the work or not. The chances are that people will do a better job if we are really taking an interest in them, knowing the names is important and helps a lot, but it is not enough. Further, we really have to know each individual well, know what his problems are. They discuss matters with employees at their desks rather than in the office.

It was revealed that all employees of sampled organizations came from the area where the organization is located. Family concept was implemented. The family concept implies that all family members are working for the same organization. Unique advantages with this concept are as follows;

- Discipline is ensured
- Absenteeism can be avoided
- Employee loyalty
- Family issues can be discussed within the organizational premises
- Low level of employee turnover.

Employees that are expected to have positive attitudes towards organization as well as management have confidence and trust on what they do. Entrepreneurs believe that it is the key for employee high performance.

Likert refers to three broad classes of variables relating to the human and operations of firm's (i) Casual (ii) Intervening (iii) End results (Likert 1967).

Casual variables are independent variables which can be amended by the organization and its management, for example management policies, the structure of an organization, leadership strategies. Intervening variables indicate the internal health of the organization for example the loyalty, attitudes and motivation. End result variables medicate the final outcome and reflect the influences of intervening

variables. Further, the end result variables reflect the achievement of the organization, for example productivity, costs and scrap.

It was recognized that by using casual variables (e.g. Management policies) these organizations are trying to impress the intervening variables thereby and result will be positive.

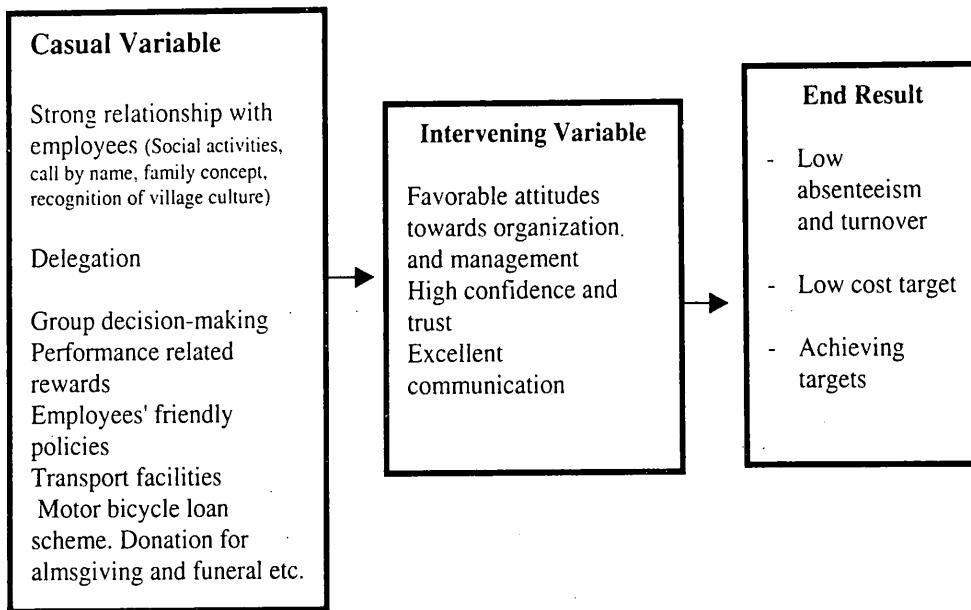


Figure 3. Dealing with Human Beings

Source: Survey results 2002

Entrepreneurs believe that intervening variables are key for success thereby casual variables improved. Figure 03 illustrates the nature of casual variables they adapt and nature of intervention variables thereby how they achieve the end result. It was recognized that entrepreneurs in sampled organizations are adopting a caring and positive approach to management of people.

4. Adapting to Environmental Change

In today's complex and turbulent business environment, all organizations must contend with change. If managers could establish goals and achieve them instantaneously, control would not be needed (Griffin 1998). But between the times a goal is established and the time it is reached, many things can happen in the organization and its environment to disrupt movement toward the goal or even to change the goal itself. A properly designed control system can help managers anticipate, monitor and respond to changing circumstances. In contrast, an improperly designed system can result in organizational performance that falls far below acceptable levels.

To adapt the environmental changes the southern organizations are using properly designed control system. There are various types of controls for different managerial levels of their organizations. Within these controls the four types of them were identified important: Financial controls, operations controls, structural controls, and strategic controls.

The detail analysis is as follows.

Financial Controls : Controls relating to the financial resources such as budgetary control (financial budget, operating budget, non monetary budget, financial statements, balance sheet, income statement, cash flow statements)

Ratio Analysis (such liquidity ratios, profitability ratios, debt ratios, operating ratios etc.) financial audits (internal and external audits)

Operations Controls : Controls focuses on the processes the organization uses to transform resources into products or service, such as primary controls (monitor quality or quantity of human, material, machines etc before they enter into these organizations) screening controls (checked operational systems periodically, meeting standards for products and their services etc.) and post action controls (final output inspections, quality checks of outputs, etc.).

Structural Controls : This is concerned with how the elements of the organization's structure are serving their intended purposes in this concern. These organizations are using mixed form of structural control. It can be discussed as Table 04

Table 4. Structural controls

Dimension	Form of Control
- Goal of control approach	- Through employee commitment
- Degree of formality	- Clan control methods like group norms corporate culture as well as rules like bureaucratic controls, regulations
- Performance Expectation	- Directed toward enhanced performance above and beyond the minimum
- Organization design	- Relatively flat, because employees are encouraged in performing beyond minimally acceptable levels.
- Reward system	- Directed at individual performance.
- Participation	- Employees Encouraged in all areas of operations

Source: Survey results 2002

Strategic Control:

This is focused on how effectively the organization's strategies are succeeding in helping the organization meet its goals. To achieve this, these organizations use various techniques according to the competitiveness of the environment. Especially the controls such as adopting new technologies, modifying their human resources, having monthly meetings and changing their information systems etc. Study indicated that the employees of these organizations have a strong sense of loyalty, power is shared and their participation is encouraged in all areas of operations. Further the strategic managers of these organizations pointed out that the above-mentioned controlling methods help them to achieve their organizational objectives. Propose model in figure 5 illustrated this success.

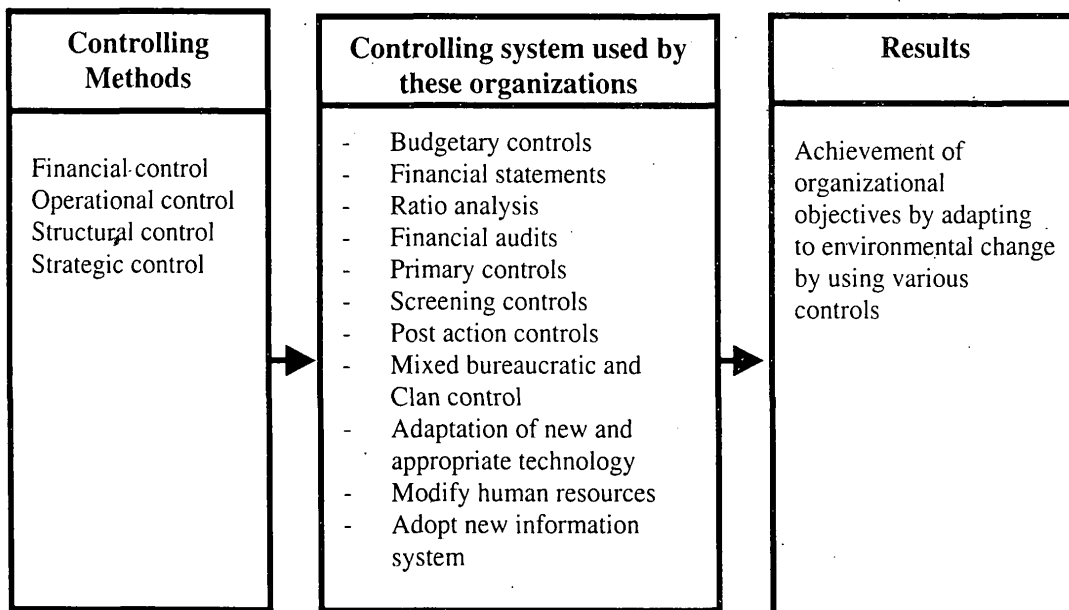


Figure 5. Model for Adapting to Environmental Change

Source: Survey results 2002

5. Management by Wandering Around

The basic idea is that some managers keep in touch with what's going on by wandering around and talking with people-immediate subordinates, subordinates far down the organizational hierarchy, delivery people, customers or anyone else who is employed in the company in some way (Griffin 1998). This idea emphasizes that wandering is not only limited to the inside of the organizations but also outside the organizations. Modern organizations are experiencing with high degree of competition. It was recognized that southern entrepreneurs are practicing management by wandering around to identify emerging trends, challenges relevant to their industries and what is happening inside the organizations. Further the ideas collected from conversations, discussion etc. with stakeholders are major inputs for product development, system improvement, and process improvement of the organizations.

Table 5 illustrates Management by Wandering around practices in more details. Continuous improvements of the practices of these organizations mainly depend on this practice.

Table 5. Management by Wandering Around Practices

Approaches	Contacted Person	End Results
Factory Visit	Labours, Minor staff Supervisors, Managers	- Effective and Efficient organizational decisions - Achieving organizational objectives and targets
Office Visit	Managers, Clerical and All and other supporting staff	
Sales Center Visit	Distributors, Customer Wholesalers	
Meet Sales Agent	Agent/ Agents →	
Workshops	Different expertise in different professional and academic	
Exhibitions Foreign and Local	Customers, Suppliers, Government officials	
Foreign Trips	Different expertise in different customers, suppliers government officials	
Participate in Family and Social Events	Various personalities who represent different sub cultures	

Source: Survey results 2002

Conclusion

There is no consensus on the exact meaning of entrepreneur or entrepreneurship. Entrepreneurship symbolizes the spirit of enterprise: within a nation the fundamental role of companies is to create economic value addition and the companies of respective countries are responsible for wealth creation. In this process Southern entrepreneurs are playing a leading role in Sri Lanka. 90% of best enterprises in Sri Lanka are originated in Southern based entrepreneurs and they are playing a key role towards country's development. 2.7% account for entrepreneurs out of the total Southern population. They are engaging in various industries. Further most of these industries are operating as small and medium level in relation to global economy. These organizations provide livelihood for the majority of labour force in the districts and the province. This research has identified and discussed their best practices and they are identified as customer satisfaction, risk taking and bearing, dealing with human being, adapting to environmental changes and management by wandering around as their best five practices. The researchers encourage conducting research on the above practices separately for future research.

References

- Baig, N. and Kahan, M.A.A. 1990. *Entrepreneurship and Business Environment* Ashish Publishing Houses, New Delhi.
- Blanchard, K. and Johnson, S. 1983. *One Minute Manager*, Willow Books
- Bolton and Thompon, J. 1998. "Entrepreneurs", Lianacre House, Oxford.
- Department of Censes and Statistics. 2001. "Statistical Abstract of the Democratic Socialist Republic of Sri Lanka", Ministry of Finance and Planning, Sri Lanka.
- Garelli S. 1997. *The four fundamental forces of competitiveness; The world competitiveness year book.*
- Griffin R. W. 1998. *Management* 5th edition, A.I.T.B.S. Publishers and Distributors, Delhi-110051.
- Holt, D.H. 1998. *Entrepreneurship; New Venture Creation*, Prentice Hall of India Private Limited, New Delhi.
- ILO-SIYB. 2000. Sri Lanka Project; "Analysis of the SME Sector in Matara and Hambanthota districts", October 2000.
- Kanunga, R.N. 1998. "Entrepreneurship Innovation" Sage Publications India Pvt. Ltd., New Delhi.
- Kotler, P. 1994. "Marketing Management: Analysis Planning implementation and Control", Millennium edition, Prentice Hall of India Private Ltd., New Delhi.
- Kotler, P. 2000. "Marketing Management: Analysis Planning implementation and Control", Millennium edition, Prentice Hall of India Private Ltd., New Delhi.
- Likert, R. 1967. *The Human Organization*, McGraw-Hill.
- Robbins S.P. 1996. *Organizational Behaviour, Concepts, Controversies Applications*, 7th edition, Prentice Hall in India, New Delhi.
- Schollhammer, H. and Kurilooff 1979. *Entrepreneurship and Small Business Management*, United State of-America.
- Williams C. A., Smith, M. L. and Young P. C. 1995. *Risk Management and Insurance*, McGraw-Hill, Inc, New York.