

MANAGEMENT OF FOREIGN BUSINESS BASED IN SRI LANKA
IN THE CONTEXT OF THE OPEN ECONOMY IN SRI LANKA
(A CASE STUDY OF TWO INSTITUTIONS OPERATING IN SRI LANKA)

BY

LIANG KUO CHIR ✓

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DEPARTMENT OF COMMERCE & MANAGEMENT STUDIES
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A B S T R A C T

The Government of Sri Lanka discovered that a number of public sector corporations had not achieved the desired level of productivity and profitability to ensure their continued existence in business. With the introduction of a policy of open economy, the poor performance of some Corporations from their inception, and of others during the recent past has provoked a wave of rethinking within Government regarding the effectiveness of the managerial process in some, and of the justification for even the existence of many another State Corporation.

Among many reasons attributed for the failure of public enterprises, the main reasons were poor quality of management, and an excessive degree of interference by government in day-to-day activities. Other contributory factors were under capitalisation, bureaucratisation of the directorate and staffing of enterprises on political grounds.* Selection of staff was not governed by objective criteria of competence or aptitude, but often by considerations of political patronage and desire to reward or build up support from party men and followers. Efficient management hence could not be assured nor quality performance be guaranteed.

This study falls into two parts. The first part, gives an overview of available literature on definitions, concept, rationale and the role of Public Sector Corporations in a developing economy. Literature on



planning, controlling, directing and funding, with an emphasis on financial management - profitability, has been summarised. The second part discusses management and the place of public and private sectors in the economic development of Sri Lanka: privatisation as a spur to better management of commercial concerns is reviewed.

Privatisation is a new concept which being included in future plans for managing Sri Lanka's state enterprises and her public sector. There is, however, some debate on the definition of the concept itself and on ways of implementing it. Along with the liberalisation of the economy, export promotion policies, and the emergence of international competitive forces, a strong private sector leadership too evolved during the past few years. Privatisation hence is now likely to play a principal role in National Economic development strategies.

The second part of this is more vital. It deals with the basis for the design of the questionnaire: analysis and tabulations are also presented along with the survey, observations and conclusions. Findings of the questionnaire survey are based on qualitative data. Conclusions drawn from this need substantiation by quantitative data from various sources.

Finally, analysis and findings - conclusions, basically on a case study of two enterprises i.e. The Ceylon Oils and Fats Corporation and Prima Ceylon Limited - are presented. Profitability alone has been



considered. Validity of the hypothesis is treated by using only two variables at a time.

Due to the above limitations, therefore, findings of this study cannot be strictly generalised, but wherever possible generalisation on a hypothetical basis is attempted.

*See, CEYLON DAILY NEWS, "RONNIE ON THE LOGIC AND MECHANICS OF PRIVATISATION", March 6, 1987. P9.