



**University of Kelaniya  
Sri Lanka**

**DBA**  
Doctor of Business Administration

**Doctor of Business Administration  
Case Study Symposium 2021**

**Proceedings**

**Faculty of Commerce and Management Studies**

**DBA Case Study Symposium  
2021**

**Proceedings**

**Doctor of Business Administration (DBA) Programme  
Faculty of Commerce and Management Studies  
University of Kelaniya  
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## **Message from the Dean of the Faculty of Commerce and Management Studies**



It is with great pleasure I am sending this message to the DBA Case Study Symposium organized by the DBA program of the University of Kelaniya, Sri Lanka. The Faculty of Commerce and Management Studies is a renowned faculty which is committed to bridge the gap between the corporate sector and the academia. Evidently, the Doctor of Business Administration is designed in line with this endeavor, and DBA Case Study Symposium provides a perfect opportunity for the DBA learning partners to disseminate the industry-based research insights blended with a sound theoretical flavor.

It is undoubtedly known that this conference will bring the recognition towards the Faculty as well as to the University. Moreover, I strongly believe that the future of this country depends on the skilled professionals, and therefore the Faculty of Commerce and Management Studies unceasingly supports to develop the capabilities of the professionals through industry-linked strategies. I, as the Dean, take this opportunity to thank Prof. C. Pathirawasam, the Coordinator of the DBA programme, Prof. D. M. R. Dissanayake, Editor in Chief of the conference and all others who contributed immensely to make this event a success. Also, I would like to extend my heartiest congratulation to the learning partners who will be presenting their case studies in this symposium.

**Dr. P. N. D. Fernando**

Dean

Faculty of Commerce and Management Studies

University of Kelaniya

Sri Lanka

## **Message from the Dean of the Faculty of Graduate Studies**



As the Dean of the Faculty of Graduate Studies, I am delighted and honored to bring this message on the occasion of the DBA Case Study Symposium organized by the Faculty of Commerce and Management Studies, University of Kelaniya, Sri Lanka. The contribution to research is pivotal to any nation's development and as the learning partners who are following the Doctor of Business Administration offered by the Faculty of Commerce and Management Studies, University of Kelaniya have a vast caliber to uplift the nation's development through research. Furthermore, this endeavor will unquestionably support the learning partners to reshape their thinking towards contemporary management practices.

I have seen the tremendous efforts extended by the Faculty of Commerce & Management Studies to provide high quality research in diverse fields of Management. Hence, I would like to make this as an opportunity to appreciate the commitment and the involvement of the academic community in providing the prospects for the learning partners to share their research findings by blending with the corporate insight in the field of Business Management in an excellent platform. I hope that DBA Case Study Symposium adds value to learning partners as they received an opportunity to be a practical researcher to publish a quality case story as a part of the Business Case Study course unit whilst contributing to readers to obtain real life case study insights for teaching and learning perspectives. I wish DBA Case Study Symposium every success and strength to continue the legacy for many more years ahead.

**Senior Prof. Ariyaratna Jayamaha**

Dean

Faculty of Graduate Studies

University of Kelaniya

Sri Lanka

## **Message from the Coordinator of the Doctor of Business Administration**



I convey my warm and heartfelt wishes to the Business Case Study Symposium organized by the Doctor of Business Administration (DBA) programme, University of Kelaniya. DBA program of the University of Kelaniya is a renowned post-graduate qualification among the business fraternity and it is a knowledge hub that bridges academia and industry. This proceeding and the event is another proud achievement that adds value and glory to the name of DBA Kelaniya.

As the first and the foremost DBA program in Sri Lanka, it has secured its dominance in knowledge creation among the universities and professional bodies. The teaching faculty of the Business Case Study module has organized this symposium for the second consecutive time and I believe, this Case Study Symposium will improve the knowledge of DBA learning partners and uplift the position of the DBA program of the University of Kelaniya. Finally, I extend my warm wishes to the organizers and the presenters of this symposium to make it a successful event.

### **Prof. C. Pathirawasam**

Coordinator

Doctor of Business Administration

Faculty of Commerce and Management Studies

University of Kelaniya

Sri Lanka

## Message from the Editor in Chief



The Doctor of Business Administration (DBA) offered by the University of Kelaniya pledges quality and impact as the dyad properties to its learning partners. The passion of a DBA is nothing but the practice-related research essentials. In fact, the learning partners of the DBA program are essentially guided to become impactful professionals via a comprehensive learning process accompanied by well-designed teaching and assessment methods.

The course unit of Business Case Studies is one of the hands-on and methodological learning experiences featured in the DBA program of University of Kelaniya. This case study symposium is one of the main assessments of the foresaid course unit that provides a comprehensive opportunity to its learning partners to impart practice-centric research insights with wider range of beneficiaries. I am indeed glad to extend this message as the chief editor of the proceedings of the DBA Case Study Symposium -2021 due to its significant contribution endeavored by the learning partners addressing to practice realities in different industries. This conference unveils stories and evidence as a formal publication that enables readers to learn the hands-on experiences that bridges theories into practice perspectives. Accordingly, the DBA Case Study Symposiums to be held on 5<sup>th</sup> November 2021 is a remarkable event for the presenters to unveil their investigations as an invaluable learning guide for the readers in all aspects. The take-home lessons of this event should be a comprehensive set of guidelines for corporate leaders, professionals, teachers, and researchers to rethink and revitalize their mindset based on practically proven case insights. Alongside, I wish to congratulate for all the presenters and authors for their contribution that goes beyond the conventional frame of research works. Let's utilize the knowledge disseminated out this conference to uplift the growth potentials of businesses and community at large.

### **Prof. D. M. R. Dissanayake**

Editor in Chief - DBA Case Study Symposium 2021

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**Technology Adoption towards Blended Learning – The Case Story of a  
Leading Higher Educational Institution (HEI) in Oman**

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***Preface***

*For most people, the thought of education brings in the scenes of classrooms, rows of desks and chairs, teachers being around, and teaching face to face in close vicinity. The conventional teaching practice was based on the understanding that face to face teaching methodology would help the learners to gain both explicit knowledge (through lectures and practical sessions) and tacit knowledge (through interactions and working together), by being around the teacher and listening to their lectures. However, the current market conditions that make lifelong learning a necessity, do not offer such luxuries of physically visiting the educational institutions at fixed times and meeting lecturers face to face, to certain segments of the population, due to their work related constraints. The growth of technology and the globalized nature of competition also exert pressure on educational institutions to fine tune their strategy towards knowledge dissemination, to capture and maintain the market share. This requires the organizations to identify and develop a suitable teaching methodology that negates the constraints faced by certain segments of the students and provides optimal benefit to the learner, while being affordable, through optimum utilization of the available technology.*

*Development and incorporation of blended learning methodology into the teaching learning process could help the organizations to provide optimal benefits to the learners through personalized education as the methodology allows the learners to choose the site, time and pace of learning as they see fit. While greatly reducing the costs related to printing the learning material, travelling and accommodation, blended learning methodology provides an opportunity to make the learners engaged in an effective manner, thereby helping them to gain the required knowledge. This flexible approach, which rejects the traditional ‘one size fits all’ teaching pattern, will be beneficial for both lecturers and learners as it improves the effectiveness of the teaching learning process.*

*Though the majority of higher educational institutions (HEIs) have understood the importance of developing a blended learning methodology, only a few of them were*

*able to actually develop a focused need-based blended learning methodology by adopting the right technology to suit the local conditions. This case story focuses on the success story of one such HEI in Oman. This case story takes a deeper look at their approach towards blended learning and the manner in which this organization has successfully incorporated the blended learning methodology into their educational system.*

*The organization under consideration was set up nearly 40 years ago, as an institution providing sector-specific academic and training programmes for the financial sector. From humble beginnings, today the organization has grown up to be a fully-fledged higher educational institution (HEI) educating students at multiple levels (from Foundation Level to Masters Level). Being the first HEI to be accredited by the institutional accreditors within its category, the organization focuses on adding value through multiple platforms. The organization also runs a separate department focusing on the professional programs conducted by professional bodies such as ACCA, CIMA, ICAI and CFA, along with separate departments for corporate training and Research. The programmes offered at multiple levels required the organization to find a way to manage the teaching learning process in a manner that fulfils the requirements of the learners from different social, cultural and professional backgrounds. This search resulted in the organization successfully identifying blended learning platform as the best solution, developing the platform and incorporating it into their teaching methodology within a period of 24 months.*

*The author has used information available in the public domain and his own knowledge to develop this case story. However, due to privacy concerns the author will refer to the organization hereinafter as Creative College of Business Studies (CCBS), Oman. The author strongly believes that the success of this HEI and the process followed in developing the blended learning platform will be very useful for IT policy makers from any organization that is planning to develop such methodology, to understand the importance of a clear inclusive strategy. This case story will also help university lecturers in educating their students on the importance of developing home grown solutions by making optimum use of available resources.*

## **Blended learning – An overview**

Technology adoption and blended learning were two of the widely used phrases among the educational circles at present. Blended learning practices including e-

learning and other forms of distance learning have been practiced by different countries for more than 3 decades now. However, the concept gained greater momentum after the year 2000, with the internet becoming more accessible to communities across the globe. Though the importance of blended learning was well understood by educational institutions across the globe, the perceived uncertainty over its acceptance by the regulatory authorities and slow phase in incorporating such concepts into the general educational system has resulted in many educational institutions across different continents continuing to focus on face-to-face teaching as the primary mode towards dissemination of knowledge. As noted by the Guide to Recognitions Issues in International Distance Learning, this was also aggravated by the restrictions placed by certain countries on the type of programmes that could be taught through online or distance learning mode and the limited recognition received by online and distance learning programmes in Asian, Middle Eastern and African regions, with few exemptions, even though such programmes were well received in American and European region. However, the threat of Covid-19 and resultant ‘new-normal’ of lockdowns, shutdowns and social distancing requirements have made higher educational institutions (HEIs) across the world to understand the importance of finding an alternative to the traditional face-to-face teaching methodology to continue their teaching and learning activities, in a relatively safer environment. This ‘new-normal’ played a major role in dramatically altering the perception towards blended learning methodology among multiple stakeholders (such as HEIs, Regulatory authorities and users) across the world. This unforeseen circumstance has paved the way for the accelerated incorporation of blended learning methodology into the educational sector across the globe.

The teaching learning process across Omani higher educational institutions (HEIs) were mainly bound to classroom teaching with most of the students pursuing traditional pen and paper model of learning to acquire their knowledge requirements, although other platforms such as posting lectures on the portal, sharing pdfs and submitting assignments to Turnitin application were used by certain HEIs to a limited extent. The concept of blended learning and online learning was not very common among the majority of HEIs in Oman, with the use of the blended platform for knowledge dissemination being practiced mainly by HEIs that have foreign academic partnerships. As part of their academic partnerships, these HEIs were using the learning platforms developed by those foreign partner universities. Only a few HEIs in Oman, such as Sultan Qaboos University and the HEI discussed in this case, were more pro-active in their approach towards incorporating blended learning methodology into their system,

so that they could offer a more flexible and customer focused teaching learning experience to their stakeholders.

### **Government influence on blended learning in Oman**

The digital transformation drive in Oman, as part of the e-Government vision, started in 2003 to focus on developing sustainable knowledge based society. As Omanuna, the official e-Government service portal of the Omani government states, the digital transformation drive in Oman received a boost from His Majesty in 2008, through the speech made to Oman Council, in which His Majesty advised both government and private entities, to explore the possibility of providing e-based services to their customers. Following the idea, a number of institutions, including HEIs focused their attention on aligning their activities with the government's focus related to innovative use of information technology for improving the effectiveness. Within HEIs, this resulted in an increase in internet-assisted teaching learning activities where digital technology was used for certain activities such as posting class notes, making presentations and class activities. As further support towards developing blended learning methodology in education, the ministry of education in Oman signed a memorandum of understanding with the leading communication services provider 'Omantel' in march 2016, to provide 3500 Huawei tablets for distribution among different schools in Oman.

Similarly, in April 2017, the ministry of education also signed a long term agreement with Microsoft, to provide technological support and suitable upgrade to public schools across Oman. To follow up on its commitment towards supporting organizations towards incorporating innovative blended learning methodology into their systems, the ministry of education signed another agreement with Microsoft in October 2020. This agreement was focused on accelerating the digital transformation of education and learning practices in the Sultanate of Oman, by empowering the educators with relevant technology related skills and competencies required, so that the teaching learning process could be more technology based, customized and interactive in nature. These actions further enhanced the government's resolve towards making digital technology more relevant and accessible to both teachers and students, thereby creating an inspiring environment for sustainable learning and development.

These initiatives encouraged the HEIs in the sultanate of Oman to follow the government's focus towards digitally transforming their teaching-learning activities. However, as Saif Al Hosni, Small to Medium Partners Public Sector

Lead for Microsoft Gulf, has explained, the general drive towards digitalization, pressure from multiple stakeholders to show immediate results and organizations' desire to be on the top of the tide, should not force the heads of educational institutions to purchase technology without clear identification of the need, detailed project planning and implementation strategies. This point was also highlighted in an article published by Oman Observer; one of the leading English newspapers in Oman. The article highlighted the observations of some of the lecturers, students and parents, who felt that online learning cannot be a permanent alternative for conventional teaching and learning methodology as it limits the benefits of face-to-face interaction. Apart from teaching, the stakeholders also felt that the manner in which assessments were carried out by the HEIs, when following online teaching methodology were also of great concern for both college management and the parents. This requires the HEIs to first carry out a detailed need assessment and then procure systems that could suit their course structure while supporting the educational institution to improve the effectiveness of their teaching methodology, as any rash short-sighted developments could make the change process unpredictable and even quite disruptive in nature.

### **Blended learning at Creative College of Business Studies (CCBS)**

The journey towards blended learning at Creative College of Business Studies (CCBS) began in early 2017, with the focus of providing an alternative learning model for the mature adult students who may not be able to physically visit the college to attend classes in their chartered program (ACCA), due to work related commitments and constraints. The increased competition in the Omani market, and the imminent threat to business, coming from the next-door neighbour, Dubai, made Creative College of Business Studies (CCBS) to rethink of its teaching and learning strategies to retain its student population. With the vision of becoming the 'leading institution for higher education in the region', CCBS also found the blended learning platform to be an opportunity to change its 'muscat only' image and register its presence in all the districts of the country and the middle east region.

However, the journey wasn't without its own issues. Creative College of Business Studies (CCBS) was a university college following the traditional mode of teaching throughout its existence. The recruitment of faculty members and the support staff also happened with the traditional mode of teaching in mind. As such, convincing the workforce on using a technology that was not tried or tested within the given context was one of the major challenges faced by the organization.

The lack of experience of faculty members in handling the blended learning platform, the requirement for a strong support system for both faculty and students along the requirement for a more focused and inclusive pedagogy posed serious challenges at the initial stage of the transformation. Issues related to access to technology, the costs involved in acquiring such technology and restrictions related to its customization for local usage also made the implementation of blended learning strategy more complicated.

### **Humble beginnings towards blended learning methodology**

The organization followed an incremental strategy to manage the challenges, while implementing its new learning plan. As a first step, a three-member project team was set up to plan and implement the blended learning operation. The project team started its pilot program in fall 2017 with one faculty member being chosen to run the blended teaching learning operation on one particular batch of students. The activity started with the faculty member converting all the learning material into digital format. Once converted and verified, these documents were placed on the *Padlet wall* using the free version of *Padlet*. The lecturer conducted the classes on a physical setup, which was also recorded and placed on the *Padlet wall* for future reference and further discussion. As *Padlet* supports collaborative action and allows the students to bring their imagination also into discussion and make it more interactive, this blended model was well received by the students. The positive feedback received from the students who could not attend the classes, and those who attended but needed more clarification, encouraged the organization and the project team to study the concept further with the view of expanding the scope of the activity and spreading it across other faculty members and student batches as well.

**Table 1: Implementation process of the blended learning**

<b>Period</b>	<b>Activities</b>
April 2017	Decision made to introduce blended learning methodology
September 2017	Commencement of pilot program using the free version of <i>Padlet</i>
December 2017	Staff training session 1
April 2018	Faculty members were asked to convert the content into digital format.
August 2018	Staff training session 2

September 2018	Introduced OneNote as a support to conventional teaching platform
August 2019	Staff training session 3
December 2019	Began using Microsoft Teams as a platform.
February 2020	Started teaching online through Microsoft Teams.

*Source: Developed by author (2021)- Associated sources: emails, reports, etc.*

As the first step towards institutionalising the blended learning methodology, all the lecturers were asked to convert their handouts and other documents into digital format. In the meantime, the institution gradually stopped providing physical handouts to the students and encouraged the lecturers to send handouts in digital format to the students, so that students could use their mobile phones or laptops to access the handouts or print and use them during the lectures.

The institution opted to purchase Office 365 and used the A2 version that contained a complete suite of applications, to improve the concept further. From September 2018, the institution also started using OneNote extensively as a stand-alone product and created OneNote for each of the classes and informed the faculty members to upload the digitized learning material into respective class OneNote, so that it could be accessed by students. OneNote also provided separate workspaces for individual students, separate storage space for academic content along a collaboration space for interactive and creative activities. This made it more suitable for blended learning activities as it provided opportunities for the students to get connected with the lecturer through their individual workspaces or discuss issues through the collaborative workspace. With the introduction of OneNote, the institution stopped providing any form of physical learning material required for the class. Simultaneously the institution also started purchasing Microsoft Surface Pro Tablets (as writing instruments) for the lecturers to make the teaching learning process more creative and interactive. OneNote as a stand-alone product was used by the lecturers for two complete semesters.

In December 2019, the institution decided to move to Microsoft Teams as a measure to manage the teaching learning process and integrated class OneNote with Microsoft Teams. This provided a stable platform for the lecturers to work with and proved to be an asset during the Covid-19 pandemic. The proactive strategy developed over a period of 34 months, with the focus on providing an alternative learning model for the matured adult students who may not be able to physically visit the institution's campus, resulted in the institution being able to



switch to e-learning platform successfully during Covid-19 pandemic, with lesser than 48 hours of downtime and negligible disruption.

### **Technology adoption towards blended learning**

Technology adoption has gained greater importance since the advent of the internet. Though industries such as information & communication technology, media, professional services, finance and insurance have adopted technology in their operations to a great deal, technology adoption in the educational sector has remained at a relatively lower level (Alam & Agarwal, 2020). The research conducted by McKinsey Global Institute also found the technology adoption in the field of education to be very low compared to other industries. Even though the education sector possesses a reasonable amount of digital assets, the usage in terms of transactions, interactions and business processes was found to be very low compared to other industries (Lazar, Panisoara & Panisoara, 2020). McKinsey's report also identified the education sector as a service sector which has the potential for a higher level of digitisation related to transaction interaction and business processes. McKinsey's report which was released before the pandemic showed the limited enthusiasm towards technology adoption among the players in the education sector around the globe.

The technology adoption towards blended learning in Oman was also travelling at a very slow phase before the pandemic set in, even though the government has encouraged the development of technology assisted blended learning practices since 2008. This resulted in many of the HEIs in Oman investing on procuring the systems (such as the Enterprise Resource Planning System) that could integrate business planning while supporting and improving their operations. Although HEIs increased their spending on developing the technological infrastructure, the technological assets acquired by the higher educational institutions (HEIs) in Oman were primarily used for improving the operational efficiency and providing better support for the conventional mode of knowledge delivery, with a minimum focus towards support for digitized transactions, improving student teacher interactions on a digital platform, improving the teaching process and market making for creative and digitized learning. The limited focus was extended towards improving the competencies required by the faculty members to work in a digital/ blended platform and digitization of work processes that could support blended learning in a better manner.

**Table 2: Learning management systems used by the universities/ colleges**

<b>Name of the University / College</b>	<b>Learning Management Systems Used</b>
Sultan Qaboos University	Moodle based Learning Management System
National University	Blackboard Virtual Learning System
Sohar University	SULMS (Moodle based Learning Management System)
University of Nizwa	Eduwave and Moodle
MCBS	Eduoasis (Moodle based e-learning management system)
Majan College	MOVE (Moodle based Learning Management System)
GUTech	Moodle based Learning Management System
Gulf College	Moodle based Learning Management System
Muscat College	Moodle Learning Management System
College of Banking and Financial Studies	Microsoft Teams, Moodle based Learning Management system and Canvas Learning Management System
Bayan College	Canvas Learning Management System

*Source: Developed by author (2021)- Associated Sources: University websites, reports etc.*

The table above shows the learning management systems used by various higher educational institutions (HEIs) in Oman at present. However, the situation was very different before December 2019, with only a very limited number of HEIs were in possession of fully functional learning management systems (LMS). With the exception of HEIs who have foreign partnerships, the majority of the HEIs were relying entirely on the conventional mode of teaching and learning process, with technology being used only as a support to such process. HEIs provided their learners with hard copies of the lecture notes, lectures were conducted physically through the face-to-face mode, exams and assessments were conducted physically with a certain level of class attendance being made mandatory for the students to be eligible to take the exams and assessments. This resulted in the learning management systems, whether fully functional or not, assuming a supporting role with limited contribution to the overall operations, instead of being the driver of the modern blended learning paradigm. The Creative College of Business Studies (CCBS) was also focused on the conventional model of knowledge dissemination

until 2017, with the technology acquired being primarily focused on supporting such mode of delivery. However, the change in focus towards providing an alternative learning platform to the adult learners studying the chartered program and are unable to attend the normal classes due to work or destination related constraints, helped this institution to focus on adopting technology that could effectively support its drive towards blended learning methodology.

### **Baby steps with greater impact**

The technology adoption at CCBS was not without its own issues. One of the major issues Creative College of Business Studies (CCBS) encountered was the limited appetite for digital adoption. As the lecturers have followed conventional teaching methodology throughout their academic and professional career, their appetite for digital adoption was found to be very low, as they were varying of moving away for the tried and tested teaching practice. There were also issues related to converting their knowledge assets into digital assets for storage and dissemination due to the fear that their intellectual property could be mismanaged or misused. As a way of overcoming these challenges the HEI organized a series of training programmes, to provide the faculty members with the required knowledge and guidance related to using technology to enhance their teaching practice. Apart from providing training on the basic skills required to blend technology into teaching, the training also included basic troubleshooting so that the lecturers gain confidence that the transformation is manageable. The organization also clearly defined the purpose of storing the digital assets in the system and provided detailed clarification on its usage to alleviate any fears related to the misuse of intellectual property.

Another issue encountered by the Creative College of Business Studies (CCBS) was related to infrastructure requirements. Adopting the teaching or learning through digital platform requires a strong mechanism, that could provide uninterrupted support at all times. With free wireless access being made available 24x7 within the premises, the institution also provided the lecturers with laptops (with Surface Pro writing tabs in most cases), so that, the teaching learning process could move out of the traditional classrooms and happen anywhere within the premises. The Wi-Fi availability helped the students to join the discussions and access the information through their digital devices. The lecturers were also provided with Brio 4K digital cameras so that the students will be in a position to capture multiple screens at the same time. The provision of JBL Herman Live 200BT Bluetooth enabled wireless headbands provided increased mobility to the

lecturers, where they were able to move around the class without any reduction in the sound quality. These steps helped the organization to manage issues related to the infrastructure and supported both lecturers and students in adopting the technology into their teaching learning process.

Digital adoption requires the integration of innovation into teaching practice and accreditation. The blended learning practice introduced at Creative College of Business Studies (CCBS) encouraged the students to use the available technology in developing their assignments and activities. Being a paperless organization, the complete teaching and learning activities of CCBS happen with the use of digital support, even within the classrooms. However, the level of innovation is limited by the accreditation regulations, where the students were expected to be physically present for an exam, mostly paper based, to receive 50% of their marks. The external audit team also required the hard copies of the work done by the students for result approval. These requirements made the lecturers to feel that they are made to duplicate the work in both digital and physical format. In order to overcome the issue, CCBS took series of steps to streamline the process. As the first stage, the student exam papers were scanned and uploaded to the institution's ERP system, which allowed the lecturer to assess the paper digitally.

The assignments submitted to Turnitin application, was also transferred to the ERP, so that all the information will be in one location. The external audit team was given access to the academic module of the ERP system itself, so that their verification also could happen without the requirement for any physical copies. In the second stage, the HEI received the approval from the academic committee, to convert the physical exams into digital exams where Microsoft forms were used as the primary mode of assessment. The integration of Microsoft forms to Microsoft Teams allowed the lecturers to conduct time constrained assessments in a digital mode. While fulfilling the accreditation requirements, these changes also helped to digitize the complete assessment and verification process.

Another major challenge faced by the organization was related to 'being relevant to the society and culture'. Teaching learning process needs to be relevant to the values and beliefs of the society. The Omani society values cultural and social norms as an important part of their existence. Hence, introducing digital teaching and assessment methods, which differ from the conventional methods practiced in the society, was a genuine challenge faced by the institution while implementing the blended learning methodology. Students' reluctance towards entering the digital space, their limited understanding towards plagiarism and their reluctance towards switching on the cameras while taking part in the class were found to be

major challenges to the success of the blended learning mode. The institution undertook useful steps such as, developing a clear process flow and instructions for the students to manage the digital landscape and setting up a separate academic support unit to help the students with plagiarism related issues, to manage the student issues. The institution also relaxed its restrictions on switching on the cameras while being in the class and allowed the students to make their own choices. These changes helped the organization to overcome the challenge and move ahead with its planned action.

Some of the students were not very receptive to the blended mode and complained to the management clearly specifying their displeasure due to lack of understanding of the subject, lack of opportunity for interaction, longer teaching hours, network issues and lack of hardware availability. These complaints were handled by the concerned departments to make sure that the issues raised by the students were addressed properly. The students were informed about the possibility to revisit the modules through the learning management system and the possibility to book appointments with the lecturers to have follow-up discussions about the subjects. The concerned departments also encouraged the lecturers to take appropriate breaks during the sessions, to help the students concentrate more on the subjects. The students were also provided direct access to the Quality Assurance Unit, Heads of the Departments and Student support centre, to discuss any issues related to their learning process. These actions helped the organization to manage the student resistance towards e-learning and blended learning and helped the students to effectively take part in the process.

### **Technology adoption in higher education – a success formula**

Adopting appropriate technology to streamline business activities plays a useful role in the success of HEIs. Successful adoption could enable the HEIs to be more proactive in their approach towards education and make optimum use of the available resources. From the experience of the Creative College of Business Studies (CCBS), successful technology adoption will depend on multiple factors.

### **Perception towards the usefulness of technology**

Lecturers' perception towards the usefulness of the technology plays a major part in them being encouraged to adopt any such technology in their day-to-day operations. The incremental strategy followed by the CCBS helped the lecturers to develop a clear idea of how the technology, once adopted could be useful for

course delivery and support the needs of the students. The positive perception towards the usefulness of adopting technology to create a blended learning platform as an alternative to the conventional teaching seems to have resulted in the lecturer's willingness to get themselves adopted to the proposed technological changes. However, successful implementation of a teaching learning strategy requires the support of both teachers and learners as well. The learners' perception towards blended learning and adoption of technology to facilitate such learning was improved through the provision of clear guidelines and facilitating environment. The academic support provided by lecturers, the practical experience they received while being part of the change process, the observable outcomes in terms of better lecture quality, the possibility of listening to the recordings again along with the guidance provided by mentors and IT support team, helped the institution to improve students' perception towards the usefulness of technology adoption in education.

### **Perception towards the ease of adoption**

It is natural for the human mind to resent change, if the change process and the tools introduced are more complicated and cumbersome. Similarly, any process or technology that is relatively easy to learn and use, easily gains the approval of the stakeholders. The Creative College of Business Studies (CCBS) has conducted multiple training sessions for their academic staff to make sure that the transformation is swift and seamless. The training session covered all aspects including digitizing documents, working with OneNote, making maximum use of class OneNote, handling Microsoft Teams and conducting sessions online from anywhere and at any time. These training sessions, and the continuous support from IT department helped the lectures to navigate the process with ease and develop positive perception towards adopting technology in their teaching learning process. The separate IT support desk and 24-hour online support provided by the IT department along with the clear process support instructions provided by the academic departments helped the students to get acquainted to the system without much hassle. The incremental manner in which technology adoption was practiced along with the guidance and support provided relentlessly throughout its implementation also helped the students to develop a positive perception towards adopting the technology over a period of time, even though there was a certain level of resentment at the beginning.

## **Presence of supportive environment**

The presence of a supportive environment encourages the individuals to feel more confident about learning and accepting changes to conventional practices. The success of technology adoption at Creative College of Business Studies (CCBS) could be attributed to the higher level of technical and academic support made available to both lecturers and students. The availability of IT support desk, dedicated 24x7 support line, provision of Surface Pro writing pads and cameras, peer support made available to manage issues at the academic level, availability of training documents for reference and changes to the reporting structure along with a supportive senior management encouraged the lecturers to learn and be an integral part of technology adoption. Similarly, the support available from the concerned department, IT help desk, mentors, lecturers and the management also made the students to feel that their progress is well supported and managed. This supportive environment, made the students also to accept changes to the conventional teaching learning process, be open to blended learning and be part of organizational transformation. These attributes, managed strategically, have helped the institution to receive the support of all the stakeholders to successfully implement its technology adoption program and develop a streamlined blended learning platform for their student population.

## **The way forward for blended learning practices**

The HEI considered in this case story has been a classic success story when it comes to introducing blended learning methodology. This success helped Creative College of Business Studies (CCBS) to travel through the disruption created by Covid-19 to the education industry in a relatively unscathed manner. The successful implementation of the blended learning methodology has opened a new era of opportunities for CCBS. Creative College of Business Studies needs to continue its active learning model keeping the learners as the focal point and use a blend of flipped, blended and e-learning methodologies to achieve more productive outcomes in future. On the other hand, being a successful HEI in the market, Creative College of Business Studies also needs to focus on developing programs that are affordable and easily accessible. This far-sighted approach towards making education and the brand relevant to the stakeholders, requires the institution to focus on the following aspects.

## **Upgrading the IT infrastructure**

The Creative College of Business Studies (CCBS) needs to improve its IT infrastructure to manage the blended learning platform in a better manner. The institution needs to focus on improving its content filtering practices and information safety, so that the content that reaches the students is relevant, validated and ethical. The organization also needs to focus on enhancing its class management capabilities through advanced device security options, mechanism for monitoring the screens, content calibration and appropriate delivery management tools, while taking special care towards supporting technology enabled social learning practices. This improved IT infrastructure will help the institution to improve the visibility on the progress of their learners through the provision of effective and interactive education solutions while ensuring that the devices used by the students and lecturers, in the teaching learning process are securely monitored and protected from all possible external threats.

## **Making Education more relevant, affordable and accessible**

Being an interactive service provider, Creative College of Business Studies (CCBS), in the future, needs to focus on making education more relevant, affordable and accessible to the population. This requires the institution to fine tune its offerings while making them relevant to the current context. The institution could focus on developing programmes without specific time constraints, in important topics, which the learners could study at their own pace to acquire knowledge. The HEI could also plan out sector focused online programs (such as oil and gas sector), that could greatly support the requirements of the organizations within that sector. As part of its strategy towards making education more affordable, the institution could also develop MOOC (Massive Open Online Courses) program through shorter videos, on topics useful for the target population. As MOOC program are offered free of charge, even the underprivileged sections of the community could benefit from these courses offered online, through shorter videos.

## **Improving lecturers' technological competence**

Enhancing the lecturer's ability to use technology in an effective manner could play a major role in the success of organization. As Creative College of Business Studies (CCBS) focuses on blended learning as an effective form of knowledge dissemination for the future, the organization needs to focus on providing effective



hands-on training to all their staff members on technologies that could support and streamline the process of knowledge delivery in future. The organization could also support the lecturers with sample formats for lecture preparation, standard templates for content development and videos related to the best practices followed around the world to enhance their knowledge and technological competence. To support the teaching learning practices and improve the quality of teaching, this institution could also provide blended learning simulation opportunity for the lecturers who are new to the system to get more acquainted with the blended learning methodology. Introducing mandatory IT modules for lecturers will also be very useful as they would play a useful role in providing the knowledge required to carry out the teaching learning process through blended methodology in an effective manner.

### **Improving learners' technological competence**

Improving student interest in technology assisted teaching practices could prove to be the game changer for the institution in the future. This requires Creative College of Business Studies (CCBS) to develop a focused strategy towards preparing the students for such technology assisted teaching environment through the provision of technology related knowledge for their students at all levels. Mandatory modules with suitable content that supports the learner to gain threshold technological competence need to be part of all the courses offered by the institution at the early stages. More value addition could be done in latter stages through the provision of modules with content that provides more focused sector specific technological knowledge, which would help the learners to gain core technological competence in the field of their studies.

Blended learning is a relatively new concept compared to the conventional learning practices followed for centuries. However, the developments in information technology have provided more opportunities for organizations to focus on blended learning methodology. The success of Creative College of Business Studies (CCBS) in developing the blended learning platform within a short period was driven by their understanding that the new generation of learners requires a different learning methodology and their commitment towards providing a blended platform to suit the learners' requirements. This commitment, along with the support of multiple stakeholders within the system, has helped the organization to face the requirements of the future in a much more confident and technologically competent manner.

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## **Subsistence to Commercial Transition of Sri Lankan Rice Cultivation: Explanation in Results Framework**

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### ***Preface***

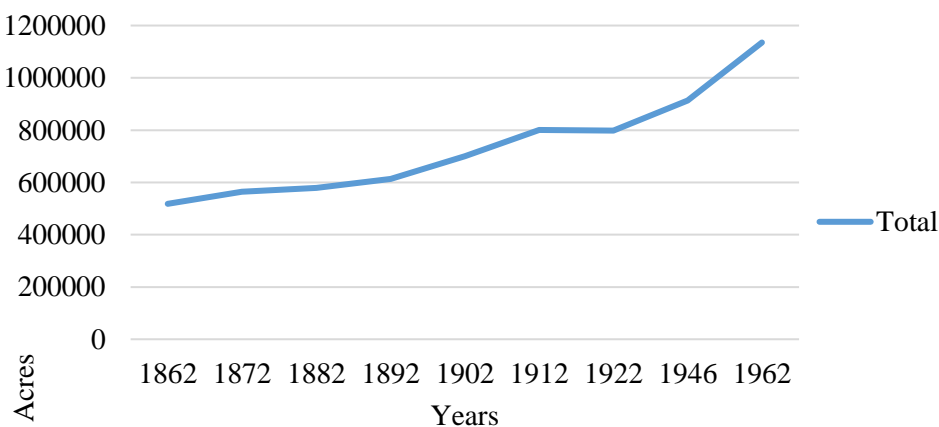
*Rice cultivation plays an intrinsic part in Sri Lankan rural livelihood since ancient agricultural history of this tropical island. There are historical evidences written in ancient chronicles in Ceylon including Mahawansa that rice cultivation in this country is not merely an economic activity but also nurtured the social and cultural values in communities for centuries as the predominant subsistence food crop in the country. The astonishing hydraulic technologies deployed by ancient Sri Lankans in establishing sustainable irrigation networks through replicating cascaded tank village architecture are still challenging the modern irrigation sciences and techniques. The history evidences the rice cultivation of Ceylon at times expanded beyond self-sufficiency food crop and Ceylon became a renowned rice exporter to neighboring nations during the ruling of King Parakramabahu. This island is full of agricultural wealth under the influence of both Southwest monsoon (May-September) and North-East monsoon (November -January) rains. The biodiverse greenery across the country denotes the richness of the soil and intensity of sunlight receives throughout the year which are the fundamental agro-inputs that many parts of the world are not blessed with. The anciently developed tank village system is still the fundamental base of Sri Lankan rice cultivation which obviously implies that the pre-colonial rulers and civilians of this country had capitalized on these resources strategically in agro-economics while amalgamating social values and environmental affection into it. Since the ancient civilization which dated back to more than 2500 years, the rice cultivation of this country has gone through a nonstop journey under various rulings and this manuscript attempts to look at the critical transition of its aspect of subsistence cultivation to commercialization and modernization. This discussion is built on the changes that occurred during the transition in terms of inputs, activities, outputs, outcome and long-term impacts on the national economy, livelihood, and the*

*environment. It is a common debate that colonial rulers also might have understood the strengths and perfection of the irrigation system for rice cultivation, but they had let it to drop from agriculture improving the agenda of their ruling. The historians argue this as deliberation to weaken the solidity of livelihood and cultural values nurtured around rice cultivation in this country. Instead, more emphasis was seen placed upon on plantation crops particularly by English rulers, which supports the above argument and marked a shift of commercialization of Sri Lankan agriculture but with less focus giving on rice cultivation. However, developments of the domestic agricultural sector received its due attention again only after independence in 1948. Since independence, successive governments have accorded high priority to the development of paddy cultivation in this county and taken to a shape we see today.*

### **Rice cultivation during colonial to independent transition**

After around 12 years of independence in the year 1962 there were 1,135,188 acres of agricultural lands devoted for rice cultivation in the county which was 28% of the total equaling to the allocation of coconut plantation. This was a noticeable change in the sector in terms of land allocation and facilitation with other necessary agro-inputs required by the cultivation. The nineteen sixties are considered as an era of momentum shift of rice cultivation and the following figure depicts the land usage on rice cultivation during a period of century backward from 1962. The graph shows the sudden influence of post-colonial ruling on the efforts of re-establishing rice as the staple food crop in the economy which started making a noticeable shift.

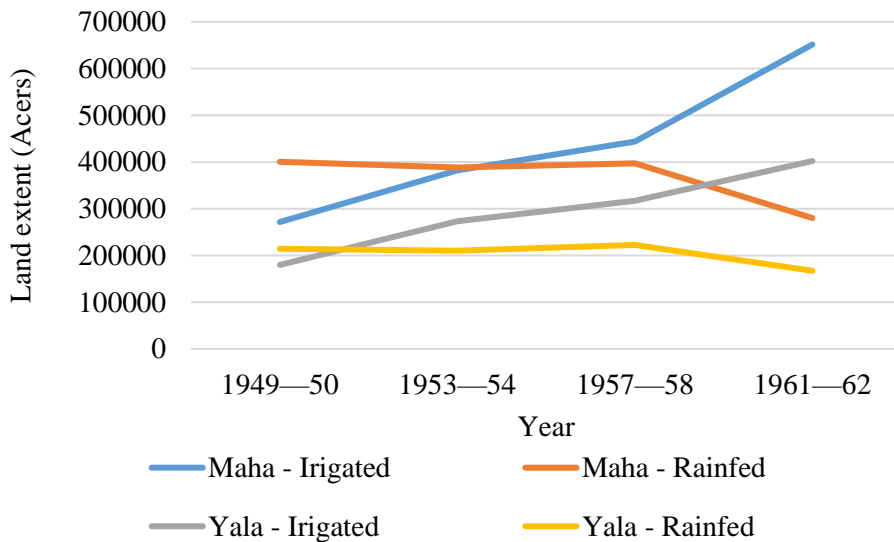
**Figure 1: Land use for rice cultivation 1862-1962**



During the immediate post-independent period, it was a finding that despite the government's liberal policies put on place granting lands for agriculture, the rice cultivation did not find favor amidst the indigenous interests and colonial influences which emerged on the extension of commercial crops in the nineteenth century and the early years of the twentieth. However, the above chart shows the efforts made by peasants in keeping the rice cultivation alive in the country and taking it forward with reasonable growth. The post-colonial government's quick efforts of inhabitation of peasants in farmlands itself might have contributed to a gradual shift of the growth shown after independence. In 1962 there were 1,169,801 total cultivation blocks and nearly 75 percent of the total blocks were recorded in holdings under 10 acres in size and this implies the density of the ownerships of the cultivation plots. Also, it was reported that holdings between 1-5 acres were around 60 percent. The absence of paddy from as many as 346,260 holdings under one acre extents could be attributed to various reasons such as the result of a previously planned drive away from subsistence rice farming to a more lucrative cropping system, heavy fragmentation of the meagre land resources available, supply of water, and overwhelming poverty. These statistics confirm the expert opinions of the unsuitability of large scale deployments rice cultivation and how the defragmentation of lands and drive away from cropping systems had started declining peasant engagement in rice cultivation.

### **Evolvement of inputs and transitioning of activities**

The cultivation of paddy depends heavily on the controlled supply of water and the search for water for successful rice cultivation had been a proceeding through the centuries. A unique system evolved by the ancients of diverting water from the monsoon-smitten highlands to the parched lowland regions fell into decay with the passage of time. In early post-independent years, many of these waterworks had been resurrected together with other new schemes which elevated the irrigation capacity for more paddy lands and other crops.

**Figure 2: Use of water sources for cultivation**

During the post-colonial transition, governmental unprecedented expenditures on scaling up of settling peasants on land under major irrigation works reflect in the charts shown in the above diagram (Figure 02). However, these statistics show a critical drop in traditional rainfed cultivation which might have been due to operators' choice on irrigated farmlands over rain dependent plots which were not much discussed in policies or strategies. The requirements of exercising economy in the use of water had been reported critical since excessive quantities of water were used to suppress weed growth. Also, there had been a growing tendency to treat water as a "free good" nevertheless storage and supply of water from these major irrigation works was attained at a great cost. As a result of the imperative need for water, resources of all types had been utilized during these years to furnish this basic requirement including minor village tanks. Particularly in the Jaffna peninsula region under-ground water resources were tapped through wells while in the wet zone many streams and natural springs were used to supplement the water supply to the paddy crops. The governmental efforts put on enhancing two fundamental agro-inputs of land and water reflect in the above diagram in their efforts of reinstating the subsistence rice cultivation in the country. It is implied in the census that these efforts alone were not sufficient to put the farmers back to farmlands in full pledge rice cultivation.

When access to easy credit was severely limited, the peasant operators were unable to stretch the meagre funds at their disposal through the bleak period of waiting for the expected harvest. Alternatively, they had to forego the cultivation of their

paddy plots or draw upon funds at usurious rates which locked them in penury. Of late, the granting of credit on liberal terms through a widespread cooperative network had aimed at removing this obstacle to the cultivation of paddy. Even so, borrowings from "undesirable " sources had not been prevented. At the census of 1962, the extent of paddy land recorded as uncultivated due to lack of funds amounted to 35,079 acres. Though the direct impact of a shortage of funds is thus seen to impact only 3 percent of the total area of paddy land, it was quite likely that many operators would have followed the trend limiting cultivation to suit the purse. This statistic shows that provisioning of agro-inputs in the form of public goods (land and water) had not been sufficient to take forward the cultivation without the support of private goods particularly in the form of continuation of financial aids.

Giving rests to the lands in turns for recuperation was a mandatory custom practiced by ancient rice farmers, however, paddy land left fallow for the specific purpose of revitalizing the soil was recorded at the census as low as 41,974 acres only. The fallowing of paddy lands practiced traditionally became dwindled and there was no presence of scientific systems of crop rotation introduced to minimize the nutrient degradation of the cultivation soil. The cultivator might have been induced by incentives aiming at increasing production and intensifying the use of paddy lands without allowing a resting and recuperation period. Instead, the cultivator started resorting to the use of fertilizers to recoup nutrient deficiencies in the soil.

The seasonal activities governed the labor requirements of rice cultivation and labor inputs altered creating scarcity and redundancy in different phases of cultivation. The pre-sowing and harvesting phases which were entirely manual or animal-propelled were slow moving and hardly could be tided overdue to the scarce of labor in these peak periods. Despite the assistance of the members of an extended family and the work rendered by one cultivator to another based on mutual help did not eliminate the delays. Further, the cultivator had little opportunity to tolerate the various activities permissible within any slight fluctuation in climatic conditions but well inside the seasonal schedules. As a solution, mechanization started coming to help considerably in overcoming the shortage of labor and draught animals during the peaks of demands. The speeding up operations enabled the cultivator to take advantage of a sudden break in the weather, for instance, a delayed monsoon would have prevented cultivation in earlier times. These advantages of tractor operations started counting against the displacement of labor engendered in certain localized regions and the fact that



tractors and the fuel they consume had to be paid for in foreign exchange. The use of tractors was confined to the larger units of paddy land initially and the use spread gradually afterward. The mechanization of agriculture in the peasant sector especially in paddy cultivation had made rapid stride from 1946 to 1962 (4,196 to 566,421 Acres).

The progressive use of tractors in several districts nullified the widely held belief that the peasant is conservative and disinclined to modernization. The small-scale operators of paddy land also started benefitting mechanization which would normally have been denied to them, owing to the heavy initial capital outlays involved in the ownership of a tractor. Instead, a system was evolved of hiring tractors for ploughing and similar operations which were performed for a fee. The mechanization crept into pre-sowing and post-harvesting activities rapidly and the below table shows the statistics found in the 1962 census.

**Table 1: Methods of ploughing and threshing (Maha Season 1961/62)**

Method of Ploughing (Acers)				Method of Threshing (Acres)		
By Tractors	By Animals	By Tillage With Mamoty	By Mudding with Buffaloes	By Mechanical means	By Animal means	By Human Agency
404,084 (36%)	363,103 (32%)	195,821 (17%)	158,544 (14%)	291,645 (33%)	457,413 (52%)	126,604 (14%)

It was mentioned in the census that operators of paddy land had not been allowed the luxury of mechanizing all activities indiscriminately by state regulations. The method of sowing is a determinant activity for most productive yielding in optimizing the use of the agro-inputs. Even though it is labor intensive, transplanting had been proven to provide the correct spacing and the selection of vigorous seedlings which are distinctive factors in improving per acre yields. This had been the practice almost in every traditional cultivation particularly in wet zone areas, where the pre-requisite of a dependable supply of water was assured. However, the process of transplanting paddy seedlings had been hindered greatly by the increased labor requirements involved in it. This became unaffordable to some peasants who were already facing challenges to secure an adequate and timely supply of labor even for other activities. The conditions did not help him and looked upon transplanting as extravagantly beyond of his reach. A labor-saving device for directly row seeding paddy which was assumed as almost with

the same advantages was therefore considered as an alternative to row transplanting.

In support of the implementation of this project, annual production of 20,000 row seeders had been planned and aimed to be put on operational in 1961 in order to expedite the spread of this technique. The performance of this attempt fell far below the target expectation and only 2,304 row seeders were turned out operational in that year. Row seeded area recorded at the census amounted to only 33,400 acres and might have declined further subsequently, which denoted the technique of mechanical row-seeding had only limited applicability in the local contexts. This failure consequently had created a dislocation in the plan to discourage the practice of broadcasting which had not proven as productive over transplanting. The extension service tasked on the purpose had not proved the colossal task set before them of effecting a reduction in the broadcast method, and the broadcast method of sowing prevailed on as much as 1,347,398 acres in 1962. The situation was aggravated due to ignorance of the practice of harrowing the standing crop which reduces the stand of plants and contributes to an increase in yield and the practice had become almost non-existent. Crop harrowing was reported on a mere 30,486 acres of total 1,347,398 acres of paddy sown using the broadcasted method in both seasons. The method of sowing used during the year 1962 is shown below in Table 02.

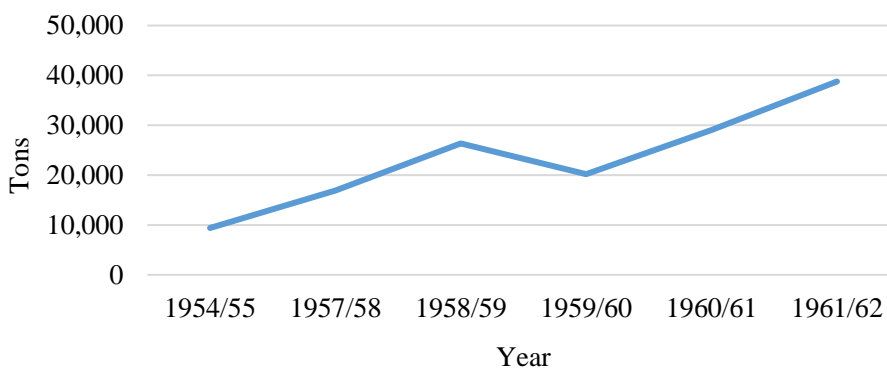
**Table 2: Method of paddy sowing**

<b>Method</b>	<b>Maha 1961/62 (Acres)</b>	<b>Yala 1962/1961 (Acres)</b>
Transplanting in row	18,670 (2%)	8,911(1.6%)
Transplanting not in rows	48,405 (5.2%)	22,540 (4%)
Sowing in rows with Seeders	14,424 (1.6%)	18,976 (3.3%)
Sowing in rows without Seeders	11,200 (1.2%)	10,157 (1.9%)
Broadcasting	838,752 (90%)	508,646 (89%)

The authorities had looked at the alternatives to remediate the productivity declination pertaining to broadcasting methods and strikingly a superior strains of paddy variety had been developed during these years by the agricultural authorities. The new variety was expected to give better yield even with the broadcasting sowing method. In parallel, several improved varieties which resistant to disease and adaptable to a wide range of other conditions had been introduced. The sensitivity of these varieties to high fertilizer application had

prompted the drive towards popularizing the use of chemical fertilizers in the bid to increase production further. The use of chemical fertilizer commenced and noticeably increased in 1962 and onwards. In 1962, usage of chemical fertilizer marked a 35% increase over the previous years which was 38,782 tons as shown in the below diagram.

**Figure 3: Commence of fertilizer use**



The above figure shows the use of chemical fertilizer in rice cultivation which had taken a slow start at the initial stages. Out of 567,653 holdings containing paddy lands, only 198,218 received chemical fertilizers during the major cultivation season of 1962. Around 65 percent of operators ignored the chain of incentives offered such as the liberal credit facilities and the subsidy scheme and made no effort to benefit from the fertilizers granted to them. In addition to the subsidies, fertilizer application on paddy land was prescribed and guided to be done in each season as a basal dressing at ploughing followed by a top dressing some weeks later. However, the numbers of the paddy plots on which fertilizer were used showed that the recommended two stage application had received scant attention on dosages and timing as prescribed in official specifications. The shortfall in fertilizer use even among those cultivators who have taken to this practice had at times been ascribed to their individual preference for the nitrogen component over others.

Remarkable increases in the consumption of nitrogen had been reported, but the situation fell again far from desired outcomes since the cultivators denied the use of fertilizer, in adequate and balanced manner, owing to some reasons such as difficulties in supply and distributions. Also, ignorance of the right use neglecting the prescriptions aggravated the issue. Though the trend of use of chemical fertilizer had increased, a noticeable imbalance in the supply of the nutrients of

nitrogen, phosphorous and potassium had been reported. When the cultivator's needs were not met on time, they were left with no alternative but to skip the basal dressing and continue with supplying the nitrogen top dressing which was only at the flowering stage. The efficient use of fertilizers required two-phase dressings hand in hand to exploit their maximum nutrient value in full which was not achieved always. Application of fertilizers to un-weeded paddy lands demonstrated little benefit to the paddy crop. Although ploughing, impounding of water, and harrowing are measures directed towards the destruction of weeds, weed infestation was rampant throughout the country's paddy tracts.

Paddy plant is not to be deprived of the plant nutrients in the soil, weeding is important during the seasonal period of growth. The control of weed which was carried out in earlier years by rooting out these unwanted plants manually started being supplemented by the spraying of chemical weedicides. The use of chemical weedicides started taking over the traditional hand weeding and the following Table 03 depicts the trend of this tendency of chemical use in weed control activities.

**Table 3: Use of weedicides**

Season	Extent sown (acres)	Weeded by Hand (acres)	By Weedicides (acres)
Maha 1961/62	931,463	196,847	71,918
Yala 1962	569,241	95,111	38,581

These figures in the above table tell that despite the proven advantage of hand weed control the practice had been followed in only around 27 percent of the paddy land sown for 1961/62 years. The statistics evidence that out of 507,052 acres of paddy land which were under fertilizer applications in both seasons, over 175,000 acres were reported not weeded using any method. This implies that at least one-third of the lands subjected to chemical fertilizers had not achieved their optimal quantum of production due to uncontrolled weed infestation. In the matter of weeding too it is most likely that high labor consumption involved in the removal of weeds by hand deterred the cultivators from engaging in this onerous task, while the use of weedicides was itself restricted by the shortage or incurred costs.

The use of chemical fertilizer to intensify productivity arguably had also increased the susceptibility of paddy to disease. Information on the incidence of pests and diseases is not clearly mentioned in the census. Some measures to combat the increasing hazards of disease, which increased with more intensive methods being

adapted appeared to be inadequate and undirected. Insects and pests are known to take a heavy toll to limit the production of paddy. The estimates of losses due to pest attack alone in Ceylon, had been placed as high as 20 percent of the total potential harvest during this period. As alternatives trying out more chemicals on cultivation started and the following Table 04 shows the use of insecticides and fungicides in year the 1961/62 creating another dependency on chemical agro-input.

**Table 4: Use of insecticides and fungicides**

<b>Season</b>	<b>Extent sown (acres)</b>	<b>Insecticides (acers)</b>	<b>Fungicides (acres)</b>
Maha 1961/62	931,463	176,483	30,036
Yala 1962	569,241	66,207	14,491

The change of agro-inputs and new activities evolved in the transitioning journey basically in efforts of finding ways of securing the carbohydrate need to the nation and assuring the self-employment of the greater fraction of rural livelihood. The adaptation of some activities is seen as not by a choice instead the situation had forced as inevitable remedies to mitigate side effects of the predecessor adaptations. However, the absence of contextual and factual decision makings in crucial stages are seen letting the situations and consequences to steer the direction of the cultivation

### **Outcomes of intensive use of chemical fertilizer**

The intensity of chemical fertilizer application was greatest in the smallest units of paddy land indicating the promotional effectiveness of extension work which had penetrated to peasant down to the lowest levels against the innating conservatism. However, an appalling situation was indicated in that the paddy farmer had been weaned away not only from the least progressive and ineffective traditional practices but also from the more beneficial customary techniques. The census recorded that the application of green manure, of farmyard manures and other similar types of bulky organic manures had fallen into disuse. When the popularization of the use of chemical fertilizers had to face various difficulties of procurement, supply, and distribution. This difficulty opened a space for intermediary exploitation in the supply chain. There is no control measure or campaign seen had taken by authorities encouraging peasant farmers to make use of green, farmyard and similar manures in a balanced mix with chemicals in

increasing productivity. These organic materials had evidently been used for other more lucrative crops or been allowed to run to waste.

### **Institutional interventions on regulating outcomes and impacts**

The intensification of paddy production had been centered around the use of chemical fertilizers. However, conditions limiting their fuller exploitation seemed not be removed or mitigated to any sizeable degree. Insecurity of tenure was deemed as the most serious impediment to the spread of improved methods and right use of them perhaps which is influenced by the lack of care on the temporary cultivation plot. The government attempts to grant tenants more stability reflects in Paddy Lands Acts. This stability of land ownership might have spurred these farmers to hold more responsibility of farm plot and put better efforts into practicing new methods and techniques appropriately. The census reveals that the amount of lands operated on tenancies (Ande) was 281,785 acres in the year 1962. In addition, the Paddy Lands Act seemingly had removed many of the evils of share cropping, but this alone might have not made easier the adoption of improved techniques and sustainable measures of paddy cultivation at desired levels. As a counter effect of this Act, some tenant cultivators had been deprived of the assistance of the landlord in the supply of seed paddy, draught animals, and credit facilities which he used to receive earlier. Instead, there was no evidence that state, had utilized sufficient measure to fill these voids in line with the policy implementation. On the other hand, many landlords had become fearful of the consequences of this Act, resulting in evictions of tenants who were saddled with the cultivation of their lands for years. This tendency reflects in the figures of 850,000 acres of large-scale paddy lands which might have been cultivated by owners themselves due to this reason.

The unprecedented spate of governmental schemes for aiding the paddy producer were deemed in favor of the smallest farmers and not the others. The measures taken to affect the draining of low-lying lands, to control the swirling waters, to minimize the extensive damage caused by pests, diseases, and animals, required concerted planning and action. Such actions activities were deemed as not at the level of the individual farmer but at a community or even higher level of institutions. It was expected to increase cultivation plots by 250,000 acres in 1963 through implementing an effective system of flood protection and drainage schemes including repairs and maintenance of existing major and minor irrigation works.

In intensifying the productivity further, plans aimed at a second spell of cropping within the same year and this effort had not proved significant improvement in terms of effectiveness and return of the amount of risk taking. There were no indemnity provisions for the large-scale paddy cultivators against crop damage though a scheme of crop insurance for paddy farms was inaugurated in 1958 with the enactment of the Crop Insurance Act. However, the insurance facilities had been gradually extended in 1962 and 200,000 acres of lands were reported insured which was 16% of the total. As the next hurdle, the disposing of the produce had to be surmounted and as the solution, the state assured a guaranteed fixed minimum price on paddy produce. The minimum price scheme imposed by the state had raised the rate of profitability on paddy cultivation. Even so, defects in institutional arrangements and malpractices at the points of intake were known to cause hardships to the producers and reduce the effectiveness of the pricing scheme.

By this time the government had realized the requirement of national level concerted and coordinated programme for agricultural development, and plans were developed for the purpose. The programme needed to maximize paddy production hence needed to modify the current policies which consequently made almost all land and water available for paddy cultivation. A firm but more rational allocation of these two scarce resources aimed at their optimum utilization assuming it would also provide a much-needed diversification of agriculture. Little regard appears had been paid to assess the land capabilities and their suitability for rice cultivation under this scheme. In the same way, all water available for irrigation had generally been used almost exclusively for the purpose of producing paddy. The cost of supplying water had been reckoned at Rs. 2,000 per acre. This was an increasingly difficult question of finding adequate water resources which continued to rise with more land usage. The farmers were forced into practicing the utmost economy in the use of water. The diversion to other crops of some lands devoted to paddy cultivation was also allowed for better utilization of water and provided encouragement to crops with lower water consumption.

It is started realizing that replacing the lands with low rice producing capacity with another suitable crop would not necessarily cause a fall in paddy production. The authorities further realized more intensive cultivation of the land found suited to paddy would enable production levels to be maintained or even to be exceeded. Such diversification of agriculture resulted in weaning some farmers away from paddy cultivation or dividing farm plots for paddy and other crops. The performance in the smaller units of paddy land surpassed that of the larger plots

indicating that a reduction in the acreage of paddy allotments may be effective in encouraging more intensive and efficient cultivation of paddy lands.

Under the varying geographic, social, and economic conditions, governing paddy cultivation in the country started to be ineffectual and even detrimental. For example, the island's widespread variety namely H4 which was initially expected to bring striking results was later found only suited in well drained regions only. Incidents of this nature clearly indicated a lack of intimacy between the extension worker and the cultivator. Therefore, effective working cultivation committees were designed to provide overall control over the activities relating to paddy lands which are regarded as a first step in the process of integrating paddy farmers into a primary unit that is capable of effecting the scientific and extension services. The extension of such an organization was expected to result a formation of an interlocking system for improving paddy production with clear objectives. The extensions are aimed towards remedying the defects and deficiencies of inputs and activities and at the same time ensuring the better utilization of all potentialities for increasing yields at a district, provincial and national level.

### **The shift from subsistence to commercialization**

In medium sized units, paddy farming remained a complex of social and economic forces so that it cannot be viewed as a purely profit-making venture. Some small producers were not attuned to regard his farm as a business, and they cropped their paddy land repeatedly if it provided them with sustenance. These undersized plots with whatever improved techniques the farmer used gave him, at best, or little more than his food requirements, and left him with no problems of disposing of his produce. At worst crop failure or damage of a virulent type had not impaired his resiliency beyond repair besides a few input losses such as material, labor costs and similar expenditures which were recoverable.

In contrast, the escalation of activities with the growth in the size of the units of paddy land involves a change in the objectives and principles of paddy cultivation. The smaller farmer generally cropped paddy merely to provide himself with food. This subsistence aspect lost its value with an increase in the size of the unit and yield productivity while the cash earnings realized by paddy sales assumed more and more importance. The profit motive ultimately supplanted all other considerations particularly in the medium to largest units. As the unit of paddy land increases in size, cost control took on added importance for the extent to which additional expenditure on the hire of labor, on animals, on tractors, on fertilizers, etc., could be incurred which had to be weighed against the final outturn.



## **Sri Lankan rice cultivation at present**

A noticeable shift from indigenous and subsistence aspects to modernized and commercialized shape of Sri Lankan rice cultivation was marked during the early nineteen sixties. There is no clear evidence that this shift was an intentional strategic move by the governments and cultivating operators. Instead, it might have resulted through the consequence of various try-outs in improving the cultivation in the efforts of fulfilling the food security and handholding the rice cultivation in the country. Since then the cultivation has voyaged through various stages under the state leadership of various governments adhering to various policies and regulations. This chapter summarizes where rice cultivation stands at present in its modernization and commercialization journey and present characteristics of it.

In addition to its inherited socioeconomic value, rice cultivation in this country has been becoming a decisive political element significantly influencing on election results of political fractions. This might have forced the respective governments to keep the unprecedented focus on the sector throughout listening to the grievances of the sector at any cost. However, this heavy politicization may have not lifted the sector to its desired potential which is an ongoing debate among economists and agronomists. Annexure 1 below reflects some indicators of longer-term impacts of the change of inputs, activities, outputs, and outcomes in each era since 1962 up to now.

The sown extents of rice except in the category of “rainfed Yala season” are almost doubled in 2020 in comparison to 1962. This reflects the improvements of land allocations and irrigation schemes and perhaps water management efficiencies. Also, the results indicate a pattern that sown extent improvements have followed the demand need of the growing population which has also doubled from 1962 to 2020 during last 58 years. It is obvious from the above figures that mechanization dictates the pre-sowing and harvesting activities in modern day farming, whereas the broadcasting method is still dominant in sowing despite transplanting being proven to be the most productive method. There seem no reluctant from farmers on the use of chemical fertilizer whatsoever in modern farming as used to be in 1962 and, no paddy track is found today which is fed with only organic fertilizer. It is clear from statistics that chemicals have taken over the controlling of weeds, insects, pests, and fungus fully demolishing the traditional and indigenous techniques. These figures also help to sense the foreign exchange drainage caused by the cultivation to the national economy despite the production supporting the bulk of national carbohydrate need in the country. The degradation of the nutrient

value of the outturn, damages on biodiversity, water pollution and health hazards including unidentified kidney disease are serious side-effects that are high in criticisms in socio-economical and ecological forums. The deduction of percentage drop of population engagement in rice cultivation is noticeable in figures and this evidences the reason for ongoing debates of diluting youth interest in farming in general in the country.

It has been a challenge for almost all governments in finding the right solutions for side effects caused by each new intervention or policy introduced to farming. Similarly, the present government also vigorously looking forward to a remediation to control the chemical use in the cultivation and precisely to stop the imports of chemical fertilizer. This move is seen as a straightforward strategy, which would have been taken even before since the present production is at a severe cost of chemical imports and unavertable risk on both social wellbeing and environmental deterioration. Annexure 2 shows some indicators pertinent to the modern era of cultivation which shows a more objective picture of the present stand and shape of the rice growing in Sri Lanka.

During the last decade, the cultivation characterizes stability except in the year 2017 which had caused due to the unusual adverse weather conditions. Overall 95 percent of the sown lands are harvested which implies satisfactory input and output flow to a great extent. The volumes and the productivity are seen reaching a saturated condition fulfilling the nation's food security needs. However, it can be clearly seen that the mission burdens the national economy in terms of heavy credit subsidies and rupee drainage on chemical fertilizers and other chemicals. It is a common debate that Sri Lankan rice cultivation has not reached to its potential competitive advantage particularly in economical productivity aspects.

Nevertheless, the figure in Annexure 3 below shows that still the rice can be produced locally at a good competitive cost in comparison with the import options. However, the addition of imputed costs of public and private goods (land, water, and other subsidies) will tell us a different story. On contrary one also could argue that the blessings of natural resources should be excluded from costing since their prevalence is more certain if the necessary measures are taken to preserve them. Though the indicators show satisfactory production, the propagation of the benefits to the cultivator is not properly known in the recent census, and intensive research study may be needed to figure out how the benefits propagate downwards and reflect in their livelihood wellbeing and economic satisfaction. The expectation and satisfaction of cultivators might have shifted to a different level than in the

past with the new mind shift from subsistence aspects to pursuing surplus for profits. Seemingly the monopolistic intermediary exploitation particularly in the stages of wholesale buying, milling, and the trading process has deprived both the cultivator and the consumer. These exploitations might have been one of the major adverse impacts caused by subsistence to commercialization of rice farming. Similarly, the dependency of various agro-inputs required in these modernized farming practices has created openings for suppliers and vendors for monopolistic exploitations as well which is seen as a growing concern in public forums.

The rice cultivators of this country deserve a nationwide salutation for producing volumes fulfilling a national requirement of feeding almost the entire population amidst of various challenges and calamities around them. Annexure 4 below depicts the preciousness of rice cultivators' mission over the last decades limiting the rice import requirement to a single digit percentage in comparison to the total demand. One may of course argue that governmental support in terms of import price policies and other subsidy schemes also supported the cultivator's mission consistently during past decades and that support was instrumental in achieving this need.

The commercialization of rice cultivation is obviously limited to local supply and demand needs basically catering to national food security needs. There are no signs of efforts on penetration to global markets yet. This may be linked to the expert's view of the unsuitability of Sri Lankan conditions for mass scale rice production in comparison to other international players who hold a competitive advantage in terms of both quality and quantity. Nevertheless, the efforts on securing local needs has worked well and steadying the trend with more focus on eliminating the obstacles and mitigating the risks is seen as the best way forward by most experts. It reflects that the irrigation setup, rain fall, intensity of sunlight, capable workforce and the vision of rulers and support of communities are still in favor of rice cultivation. Elevation of love and affection to the paddy plots and neighboring nature, finding a replacement for chemical imports, generous efforts on provisioning nutrient diet to the nations and bringing in the intermediary exploitation to a minimum in the supply chain could not be unrealistic dreams to heighten the rice cultivation to its optimum potential in this resourceful island.

## Teaching notes

1. “Clear definitions and focus on short term outcomes and longer terms impact are crucial in planning the inputs and activities in a project, organization or industry”. Appreciate the degree of applicability of results framework in state planning in stages of subsistence to commercialization transition of Sri Lankan rice cultivation.
2. “Strategic visionary decisions would result in desired outcomes and longer-term impacts” critically evaluate the governmental decision making in selecting appropriate inputs and activities.
3. “Feedback from outputs to inputs are necessary for achieving desired outcomes” evaluate the effectiveness of the institutional input and output regulation mechanisms during the transition of subsistence to commercialization of Sri Lankan rice cultivation.
4. Discuss the impact made on cultivators’ expectations on satisfaction during the transition.

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## Annexures

### Annexure 1: Reflection of change of inputs and activities

Transition of Inputs and Activities	1961/62	2019/2020
Sown Extent Maha Season Irrigated (acers)	651,312	1,358,949 (48%)
Sown Extent Yala Season Irrigated (acers)	280,141	499,893 (56%)
Sown Extent Maha Season Rainfed (acers)	402,025	961,780 (42%)
Sown Extent Yala Season Rainfed (acers)	167,205	165,528 (-.01%)
Tractors in Land Preparation	36%	98%
Buffaloes and Mamoties in Land preparation	64%	2%
Method of Sowing (Broadcasting)	90%	98%
Transplanting	10%	2%
Chemical fertilizers only	35%	70%
Chemical and organic fertilizers	-	30%
Organic fertilizers only	-	.02%
Hand weeding	21%	13%
Insecticides	19%	71%
Weedicides	8%	83%
Number of Holdings	1,169,801 (12%)	2,637,500 (8%)
Ownership (Singly Owned)	70%	83%

### Annexure 2: Cropping intensity and productivity

Indicator	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Gross Area sown (ha. '000)	1065	1223	1067	1227	964	1254	1114	792	1041	1117
Gross Area Harvested (ha. '000)	1060	1103	990	1188	881	1211	1123	619	983	1070
Not Harvested (%)	0.5%	9.8%	7.2%	3.2%	8.6%	3.4%	0%	21.8%	5.6%	4.2%
Production, MT. '000	4301	3894	3846	4621	3381	4819	4420	2383	3930	4592
Yield per Hectare, kgs	4527	3970	4353	4329	4264	4429	4372	4297	4443	4795
Fertilizer Issues, MT. '000	490	453	412	363	275	341	202	-	111	-

Credit Granted for Paddy (Rs. Mn)	2541	4418	5527	5427	4762	5582	5851	5305	6879	7301
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### Annexure 3: Economic advantages

Indicator	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Guaranteed Price Rs per Bushel	605		605	605	699	699	939	793	814	824
Open Market Price Rs Bushel	598		635	618	637	843	787	772	1,044	952
Price/Kg (Paddy)	27		28	27	28	37	35	34	46	42
Cost of paddy for 1Kg of rice Rs	38		40	39	40	54	50	49	66	60
Milling processing cost Rs	8		8	8	8	11	10	10	13	12
Total production cost estimate Rs	46		48	47	49	64	60	59	80	73
Import Price (C.I.F), Rs per KG	54	73	85	100	61	63	63	61	67	95

### Annexure 4: Value added to national economy

Indicator	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Contribution to national Consumption	97.2 %	99.3 %	99.1 %	99.5 %	85.0 %	94.4 %	99.3 %	76.1 %	94.4 %	99.5 %
Import Expenses	6.3	2.0	3.1	2	37	18	2	46	17	2.3

(C.I.F), Rs. Mn '000										
Export Revenues Rs Mn '000	1	1	1	1	1	1	1	1	1	2
Percent of GDP	1.8	1.5	1.4	1.6	1.2	0.9	0.6	0.5	0.7	0.7

## **A Shift in Sri Lankan Logistic Industry from 3PL to 4PL**

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### ***Preface***

*While the global logistics sector already practices up to 7<sup>th</sup> Party Logistics, Sri Lanka is still battling with 3<sup>rd</sup> Party Logistic activities and gradually transforming to 4PL. Logistics chains are constantly evolving all around the world. Businesses must use their core capabilities and begin to outsource to cut costs, deliver superior quality, and meet their customers' needs promptly to gain a competitive advantage over their competitors. These systems have a significant impact on economies, particularly emerging economies. This case story, which employs a literature review technique, is to demonstrate the relationship between the ideas of 3PL climate. Integrated logistics, where a single service provider delivers end-to-end logistics services not only within the country but also through worldwide networks, is becoming the new industry standard. While the industry blooms and improves the efficiency and productivity of the logistics function as a whole, resulting in overall cost savings there are many challenges that the industry faces while transforming 3PL to 4PL. Lack of resources, infrastructure, inadequate capabilities, old technology are some of the key issues identified. Moreover, most businesses in Sri Lanka are still hesitant to outsource their operations to a single lead logistics provider due to perceived risks associated with collaboration. Further the story discusses what pushing Sri Lanka to transform from 3PL to 4PL while mentioning the possible way forward avenues.*

### **Introduction**

Sri Lanka has been recognized as the next destination to develop as the logistic hub in South Asia due to its strategic location in air and sea navigation routes. The country has a unique selling proposition of maximizing profits. According to the World Shipping Council rating, Sri Lanka – Colombo Port has ranked as one of the top 50 World Container Ports which is also the 01<sup>st</sup> in South Asia during the



last 05 years based on the container volumes handled. According to “Mordor Intelligence” as an industry Logistics and supply chain contributed approximately USD 2 billion per year to national gross domestic product. Which is 2.5% of GDP and establishes over 40,000 employment opportunities in the industry. Logistic services such as container trucking, warehousing, port, and shipping contribute 7% of the country's export. 30% of logistic players are international and the remaining 70% are local. Further Sri Lanka has the highest road density with 174 Km of roads per 100 Sq Km of land linking all seaports and airports compared to other South Asian countries. Also, Sri Lanka is getting more reputation as a future logistic hub and being recognized as a marine engineering hub in South Asia. Increasing offshore engineering capability has also helped the country gain a better reputation as an emerging logistics hub offering a full range of logistics services.

Sri Lanka is no exception to the fact that logistics is an important aspect of the global economy for both developed and developing countries. The concept of supply chain management has progressively gained traction in the Sri Lankan economy, as no one can deny the critical responsibilities of supply chain management in general and logistics in particular in thriving businesses and penetrating prospective overseas markets. In recent years, Sri Lanka has seen an increase in the number of enterprises or start-ups entering the logistics area and registering. However, according to Sri Lankan financial journals, when investigating completely and thoroughly logistical operations, the vast majority of logistics companies operate on a modest scale and with a moderate capital, with 75 percent of 2PL companies owning about 2 to 5 registered own trucks, for example. Furthermore, with various logistics organizations specializing in storage activities, they may just operate as a landlord without providing value-added services.

A majority of logistics companies have a simple structure, are not truly specialized in their main activity, and are not financially capable of creating representative branches abroad due to struggles with raising operating capital and approaching government subsidies. As a result, they are restricted to access clients and other information must rely on a relationship with international logistical businesses. Prevent them from multiplying and maturing into more sophisticated logistics organizations, such as 4PL or 5PL, in response to globalization. In terms of the fourth-party logistics concept, there are only a few companies capable of handling and providing a comprehensive service that includes multifunction of 4PL such as consultation and management based on cutting-edge technology, as well as traditional 3PL services such as forwarding, transportation, brokerage, and so on.

As a result, converting from a 3PL to a 4PL firm could be a fashionable move in the Sri Lankan economy during the next five years. Despite the challenges, the Sri Lankan logistics and Supply chain industry has started its transformational journey of 3PL to 4PL with passion.

Third-party logistics providers are companies that handle the customer's logistical needs, particularly transportation and storage. These companies, need to specialize in this field and have the requisite facilities, equipment, and personnel, take on the entire chain's design and management. International transportation, storage, stock control, packaging, labeling, shipping, distribution, and other activities are all part of the chain. It can be observed that third-party logistics processes have several different components. Some of these providers may be able to successfully execute ways to coordinate and organize various operations, but there is far too much for one provider to handle. As a result of the increasing strain on third-party logistics providers and their inability to appropriately respond to these needs, it is difficult to adopt the new logistic concept of logistics provided by a fourth party. After the 1990s, fourth-party logistics firms began to emerge in the international logistics market whereas Sri Lanka started to adopt in early 2000 as third-party logistics firms became increasingly ineffective. Third-party logistics companies have historically focused on a few specialized areas, such as transportation and storage, and have lost the ability to respond to the diverse logistics demands of businesses and organizations as a result, fourth-party logistics providers were established to meet this requirement, providing professional services for resolving complicated logistics chain challenges.

In service comparison within the Sri Lankan context, third-party logistics (3PL) managers and consultants focus on strategy and technology support, whereas the fourth-party(4PL) focus on implementation and enforcement difficulties. In the industry, 3PL and 4PL exist as outsourcing strategies for large-scale exporters in Sri Lanka. The service they provide countries with they are known as "middlemen". Because countries are given rising economies with the essential intermediation with prerequisite skills and information. These players boost overall performance, ensuring that countries can expand into new markets, find global solutions to their sales challenges and perhaps most importantly, improve the country's economic success. 3PL and 4PL providers bring value to supply chain activities and help emerging economies expand Sri Lanka economically.

Literally, First-party logistics (1PLs), second-party logistics (2PLs), third-party logistics (3PLs), fourth-party logistics (4PLs), and fifth-party logistics (5PLs) are the five categories of logistics service models. To begin, 1PLs are companies that

conduct transportation, warehousing, and other logistics tasks in-house rather than outsourcing or contracting third parties to do so (Logistics Glossary 2020). 1PLs invest considerably intangible assets or early investments such as fleets or storage infrastructures. Furthermore, as per Vasiliauskas & Jakubauskas, the fact that the vast majority of 1PLs firms use their assets to carry out logistical activities is likely explained by the fact that the consumption point is located geographically close to their plant or headquarters. Further 3PLs can be defined as service providers capable of providing a broad range of logistics functions for customers, ranging from transportation, warehousing, labeling, cross-docking, and forwarding to advanced activities that 2PLs are not capable of providing, such as inventory management, logistics information systems, and reverse logistics. 3PLs are technically a 2PL innovation that can deliver value-added services in addition to radical logistics functions like labeling and repackaging. Furthermore, the legal contract to hire a 3PL company lasts at least one year. To be more explicit, manufacturers and 3PL providers have worked together for a long time and are prone to reciprocal sharing based on benefits and risks.

Fourth, when it comes to 4PLs, Accenture, a consulting firm, is credited with being the catalyst for their emergence. In more detail, modern Sri Lankan supply chain management is becoming increasingly globalized and complicated than in the previous century; as a result, manageable competence and efficiency for the entire supply chain does not ostensibly revolve around the sphere of only one enterprise, but also necessitates the participation of surrounding entities. In another sense, a 4PL is a strategic integrator of the resources, abilities, and technological expertise of both its own company and other companies to provide clients with a comprehensive service package. Technically, 4PLs with only an information system or advanced technologies can use numerous 3PLs to provide services as part of a client's full supply chain. Yet as an industry, a lot more challenges are existing while organizations are transforming 3PL to 4PL.

Compared to regional peers, Sri Lanka boasts a high-quality transport network, export-driven manufacturing, low fuel costs, and strong maritime connections. Predictions indicate that the rapid growth of the transportation sector will be driven by the investment of China, India & Japan. However, lack of rail connectivity, road congestion is not in favor of investors both local and foreign. The recent pandemic was a good example for all the nations to test their sustainability. This was a stress test in all the angles. Connectivity and the capacity unveiled the significant vulnerability if there is any. Since wave 1 of the pandemic, Sri Lanka had to undergo stressful situations. At the start of wave one, supermarkets in Colombo

and suburbs had uncontrollable consumers pouring in and emptying the shelves due to the uncertainty which was mocked by the government. But, as correctly sensed by the general public, the cities were left with little supply of rice and milk, while almost no supply of perishables. At the same time, the village farmer had no option other than throwing the hard-grown harvests. Ultimately it became a lose-to-lose situation for everyone and today, with wave 3, the country is still suffering the same situation and uncontrollable price hikes on essentials.

The scenario is a classic example of observing how defragments Sri Lankan logistics service is, especially for the agriculture products. Not having the experience of online delivery systems, platforms, and paperless transactions. Small to medium businesses mushroomed, using just WhatsApp and Facebook, but none of the businesses survive till wave 3, which merely took only one and half years. The sinews of the local transportation depend mainly on land vehicles. Semi-connected rail is also not used to its capacity and the air is not in practical use at all. Hence, no more can expect in a condition of travel restrictions are imposed other than supply mechanism breaks down and congestions alongside the trails. Warehousing is another important segment in the logistics lifecycle. The inadequacy of warehousing facilities in the country system is thoroughly highlighted with the pandemic challenges. As a result, the country is unable to store essentials for an appropriate time and has depended on the continuous supply which is highly unsustainable. The country has 138 bonded warehouses and 80 percent are located in the western province, which should be scattered ideally. As the country is looking at export-oriented production development, it's vital to have facilities to buffer the production-ready for exports, in which country infrastructure should be reinforced better.

Further, insufficient cold storage facilities are affecting the fisheries, which is a commodity. If the daily harvest is not distributed within the same day, there are no alternatives for preservation or converting to value-added products. Effect on the perishable market is also on the same grounds which could hinder countries' sustainability. Another major drawback which evident is the number of empty trucks and vessels hovering on the roads and transportation damages, as a result of not having an eco-system to track, monitor and control. When the international logistic system developments, customs, and the regulation system transparency is highlighted, which plays a major contribution to attract the international companies and direct investments to establish businesses in the country. The present system is highly complicated and mostly paper-driven, which consumes physical presence and processing time.

Nevertheless, to mention that, Sri Lanka has a geographical advantage, the main ports are focused on increasing no of TEUs served. In the fast developing sector, there is a high demand expected by the industry giants. Online visibility, data-driven analytics, paperless transactions are on the top trends and unfortunately, Sri Lanka is lagging. As a country, it would have given prominence to establish the single window initiative. On the other hand, rapid ASIAN development has activated high demand for logistics services within the region connecting mail channels. Fast-growing production capacities in India and China as well as OBOR (One Belt One Road) initiatives, demand for high efficient port services which could be achieved only by digitizing. Understand upcoming demand India and Dubai are upgrading their facilities to smart facilities. If Sri Lanka does not look at the thrive-up, it would be hard to capitalize just the location base advantage much.

As the dynamics of logistics keep on changing, the expectations of volatility, uncertainty, complexity, and ambiguity, denoted by the acronymic VUCA, ensure smooth operation despite the uncertain conditions. In which logistics has become an essential system to steer the way through the volatility, like the pandemic and having to deliver vaccinations to the furthest country from the manufacturing facilities. The system should comprise essential and trusted partners where the real impact of the Fourth-party logistics (4PL) comes into effect. Having global networks and additional skill set, intellectual capacity, and experience stand at critical drives to success. Hence human resources should be up scaled to take the greater challenges rather than looking at the conventional phase of resumes which can be achieved only with systematic education and training before onboarding them to the industry.

In the field of logistics and researchers, it repeatedly mentioned the importance of having real-time visibility. 4PLs support clients with orchestrating the supply chain system through unified ecosystems of supply chain management. Because international platforms stand highly expensive, medium to small service providers may not able to finance on implementing connections with the systems. With the rapid advancements of technology, 90% of supply chain managers believe that data-driven insights will be the differentiator in 2020. In which software solutions and innovations lead the developments. However, there aren't many logistics sector innovation initiatives in the country due to different reasons. The notion of global logistics demands has shifted towards connectivity and reliability with higher accuracy, long-term, and optimization, vivid more and more organizations

looking at asset-based properties rather than own properties, there are an enormous amount of opportunities that arise for new players to get the benefits. Yet, scaling up the domestic competencies should be looked at seriously and firm with medium to long term action plans.

The forward plan has two directions such as government to lead the country to follow the global trend and facilitate small to medium term players to onboard to the system. Secondly, private companies to scale up the resource set and the skill with having long-term goals. Consequently, policy level planning and implementation for reducing the barriers for “Doing Business” and re-look at the hybrid system, to transform the process into a paperless operation. Knowledge transfer project and following the fast-growing countries. According to the ranking of Agility, Sri Lanka holds 34<sup>th</sup> position while China and India hold first and second positions. Despite the economic giants securing top positions on the list, Indonesia, Malaysia, and the Philippines are among the fastest-growing countries in the ASEAN region. The World Bank has extended support in terms of analyzing and strategizing the forward plan for the country. Hence its policymakers and decision-makers in the country to take advantage and take the ownership to layout an actionable plan, most importantly drive it.

Market research and marketing-driven operation are merely visible with the Sri Lankan logistics segment rather, more focused on operational efficiency such as TUE. Only the partners of international companies are focused on business development and adopt global technologies to a great extent. Matter of fact, the latest technology remains not accessible outside the companies, and as industry good practices not shared and contributed to industry development. Therefore, the logistics associations have greater responsibility to come forward for setting the guidelines and educating thought the academies. In the connectivity requirement concern, connecting to international freight managing platforms has an enormous number of benefits, to provide just-in-time visibility. Today the global companies are taking advantage. Sri Lanka has talented tech developers and some of the companies provide remote support for similar platforms through their overseas offices. The talents are capable of developing a cost-effective solution for small and medium players if the government can intervene to provide a procuring a common data-sharing socket. The initiative can enable mid and small to onboard, which will bring innovation and cost benefits to the customers, making it attractive for the foreign companies and attract them.

“Paperless Trading Benefits to APEC” is an initiative established by APEC countries in 1999, to reduce or eliminate paper-based documents requirement across the country, highlighting direct and indirect opportunities. The report indicates that Singapore has achieved 23 sets of forms and 10-15 lead time to 15 minutes by implementing “Tradenet”. A breakthrough occurred in Hong Kong & China by deploying Tradenet over Electronic Data Interchange technologies (EDI), enabling access through standard PC with access. According to available data, Singapore has saved one billion dollars per year (2006). Following the UN guidelines and direction, Sri Lankan customs launched Askuda online system in 2011. However, it is vital to relook at the system and accessibility by the small to medium companies, to expect industry-wise development within the country. Whilst looking at government intervention at the broader scope for international and national levels, large opportunities exist for a small and medium player to contribute with value addition and differentiation. Utilizing IoT development capabilities available within the country and readiness of 5G deployment by the service provides an oasis for the futuristic company to develop a futuristic business and platform. As the world is looking at 4PL+ and spearheading, providing a disruptive, technology-based solution with value addition would be a game-changing initiative to make Sri Lanka as “Best Choice” for logistical services in the ASEAN.

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# **Covid-19 Influencing for Transforming an Analog Company into a Digital Company for Business Continuity**

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## ***Preface***

*The process of tire manufacturing is very complex, and much human interaction in the process, activities are being included in even some leading organizations in the world. The dependency on the expertise of human resources who got the competency by experience is very high in inter departments and It is very difficult to change dependency in such organizations due to the mindset of resistance to change by them. Therefore, to complete the process, each dot of human experts should be connected manually and depends on many external facts too. The biggest challenge is to connect them physically in the workstation when the information is required from one another. As a result of the unavailability of one expert, the whole process is delayed. calling all experts into the workstation, physically was a high risk during the Covid-19 pandemic, and the continuity of the operations was broken due to disconnecting of the dots of dependency. The organization was forced to rapid digitalization of their manual process by sharing the all-important information to overcome this dis-connectivity of human resources.*

## **Introduction**

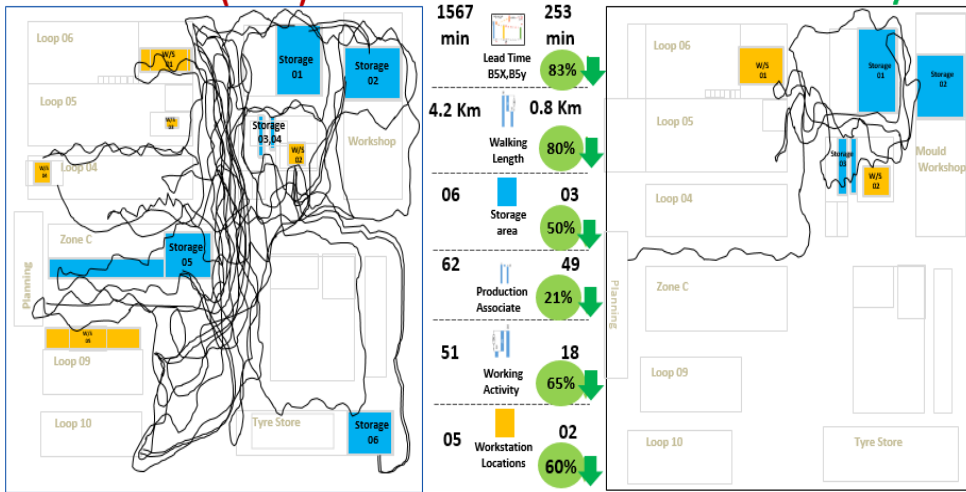
XYZ is one of the manufacturers of off-the-road tires in Sri Lanka which is a subsidiary of ABC the world's leading multinational organization. To meet dynamic customer demands, the Supply chain of XYZ company has adopted the concept "Every Customer, Every Time" as the core value of delivery commitment. XYZ company being a large manufacturing organization exports its products to over 120 countries. XYZ practiced the pull strategy to meet the customer demand had made disruptions in downstream manufacturing side functions transforming manual into digital. The company produces the majority of the main SBU's product portfolio to overcome the issue by enhance maturity of manufacturing-

related processes such as machine maintenance management, mold management, people skill development by improving process capabilities while ensuring a safe and healthy working environment to achieve a cost-competitive advantage during the pandemic resulted in the customer delighted to in meeting orders with satisfactory.

All the economies affected by the Covid-19 glimpse of the severe shocks that today's companies are called on to withstand. There is no doubt that YXX company was affected by the Covid-19 and it was the same as the mother company. ABC had to transform its production process from analog to digital before they acquired the XYZ and the digitalization of the ABC helped to overcome the impact of the Covid-19 pandemic which XYZ faced at the beginning of the Covid. Even though XYZ is in the products manufacturing industry for the last 35 years, it mostly depended on a spreadsheet and manual planning and decision-making process before the Covid crisis. The company's digitization was at a very low level and the data-driven decision-making also was at a very low level. On the delivery commitment of the organization thrives its business with a pull strategy however the upstream operation is on a push strategy. The supply of raw materials has little or no connection to the pull strategy-driven customer order commitment whereby making a surplus in raw material which is essentially not required for customers' orders undertaken whereas there is no raw material for the committed orders. There is a serious gap in customer order commitment versus raw material supply flow. XYZ has identified the importance of removing the gap wider and what could be done to bridge the gap and align upstream activities in line with downstream customer order commitments.

Here addressing a critical business issue relate to the Covid-19 pandemic in Sri Lanka, as it produces the majority of the off-the-road product portfolio which affects to be subdued via technology adaptation and digital transformation with a road map with industrial solutions and recommendations to overcome the issue in two years while improving its market revenue benchmarking ABC's best digital manufacturing practices by challenging the main competitors. Under the main Strategic Business Unit (SBU), which contains the most complex product portfolio, its rim size is from 4 inches to 24 inches. It has a total capacity of 210 tons per day, with a total number of 920 employees utilized for different manufacturing processes. This facility must handle more than 2600 SKUs in the portfolio. Within a week it should run more than 700 SKUs, and over 260 SKUs per day. Mold, casing, side rings, and other accessories are the key contributors to the product complexity.

**Figure 1: Analog lean transformation through value stream achievements**  
**We were (2015)** On 2020 February



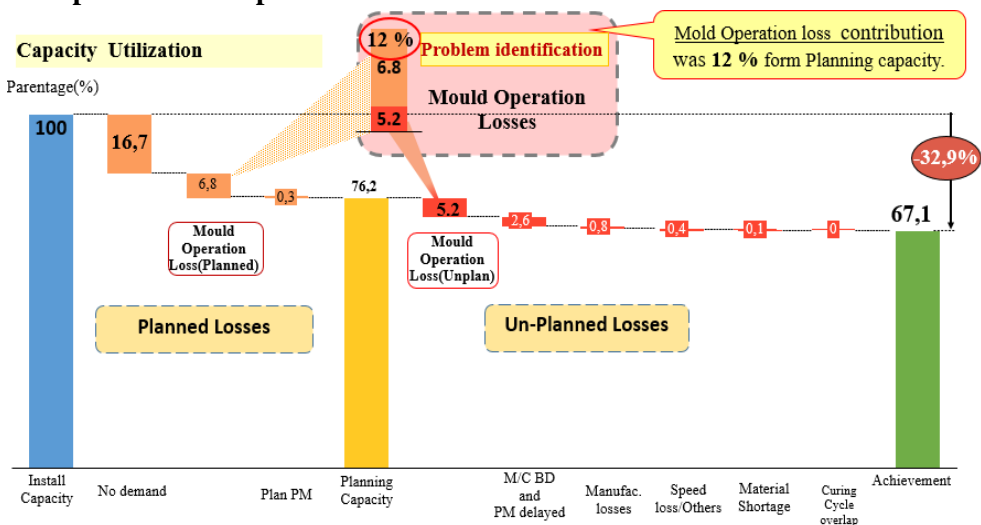
Lean is one of the cultural transformation methodologies to eliminate waste of 3Ms (Mada, Mara, Mari) and advance problem-solving techniques six sigma in a systematic way based on its road map implementation. Since 2010 XYZ has been conducting a series of lean cultural programs for lean transformation as an analog transformation in real floor practices. According to business process mapping, most of the processes were in low maturity. One of the most important facts of the planning process from the plant planner in the planning is, the department should identify the full set of mold components available of the particular mold storage cage in the storing racks based on pulling customer orders before allocating the mold. Also, the inside material handler should identify components-based line allocate schedule to achieve the promised order delivery.

The one side of Covid-19 pandemic is a human crisis, in this company that mold operation is the heart of the help chain operation, and this operation floor expert (heroic), multi-skilled people couldn't attend for day and night respective in value-added/ help chain operations. Due to skilled people limitation, there was huge turbulence in the operation even though real order received 40% from planning capacity due to inefficiency of the manufacturing operation. The goal was that time to enhance the maturity of the right communication of mold operation by improving process capabilities while ensuring a safe and healthy working environment with referring Digital Business Agility. It had been identified as a critical business issue related to the Covid-19 pandemic and in this company top management and senior business leaders looked at how to respond to current

market conditions with analysis of this problem opportunity with transforming the analog company into their approach to digital business. Beginning of the pandemic, 33% of the plant capacity was lost because of planned and unplanned losses. Mainly 12% of losses are coming due to the inefficiency of mold operation, 3% losses are machine breakdowns and manufacturing losses of the XYZ.

The poor communication between planning and manufacturing used to be one of the biggest problems in the overall mold operation due to the physical absence of human resources expertise. XYZ tried to overcome that aspect with the help of digitalization. During the planning process from the planning department plant, the planner could identify before allocating the mold whether those full sets of mold components availability of the mold for that online receive order mold tool handler search particularly required, mold tools in physical stores to see items from online at all tools stores.

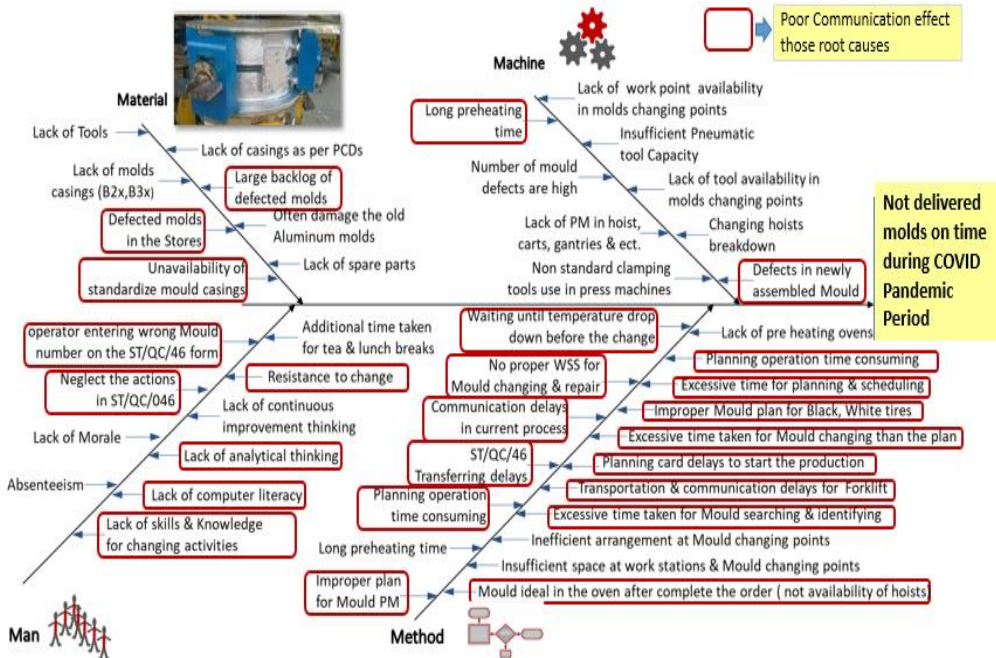
**Figure 2: The COVID-19 coronavirus pandemic is a human crisis that will disrupt all business plans**



The complexity of the mold operation process could be understood based on the capacity analysis. Since many processes were dependent on particular people (heroic) and when they couldn't appear for working plant faced many difficulties to deliver the promised quantities due to the absence of many direct and indirect shop floor (value-added) team members due to isolation and social distancing as they have been forced to stay away from manufacturing sites. One of the biggest challenges was the poor synchronization between planning, mold-shop, and shop-floor teams to trigger mold change over, sudden mold Damages, Due to space,

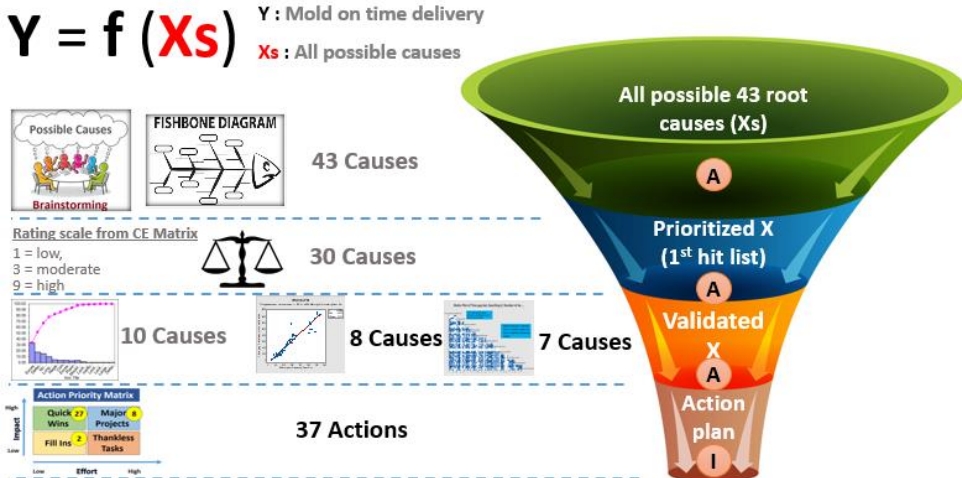
tools and equipment, people, and infrastructure limitation. The issue gets amplified further due to the inadequate communication between planning, mold operation, and poor visualized monitoring system in manufacturing units in the factory. Even though the company focused on overcoming this issue with the help of digitalization, the lack of computer literacy of the people was one of the big obstacles to digitalization. XYZ used the business process mapping technique to map the process from the macro to micro-level. As the first step, XYZ went through the process maturity matrix and identified low maturity processes. The low mature processed with critical impact was prioritized. After that, the SIPOC was conducted to process mapping, and work elemental analysis to identify real root causes affecting the mold on-time delivery. In addition, the company identified that direct influence is the cause of poor communication among functional teammates in this cause-and-effect diagram in the red box which is related to overcome through technical advancement solutions. The team conducted a Gemba walk to GO-SEE the observations and obtain real facts before the brainstorming session.

**Figure 3: Causes and effect analysis for not delivered mold on time**



During the Brainstorming session, 43 potential causes were identified under man, machine, method, and material using a fishbone diagram. The team understood that these causes were hidden even before the Covid-19 pandemic and accelerated during the Covid period. Initially, 30 causes were prioritized from 43. After validation with 03 months of real data, those 30 causes were prioritized into 10 causes and did data analysis as follows.

**Figure 4: Prioritization of potential causes**



After prioritization, it was found out that five out of seven causes were directly link with poor communication, and XYZ tried to overcome that aspect with the help of digitalization. The above problem-solving analysis process uses Lean Six Sigma and BPM Methodology. In the first instance, a very rigorous project management approach was followed and listed down all 37 actions that are connected on a weekly basis to see the status of each action with stakeholders.



**Figure 5: IT Competency build-up & change management process**

Some actions were dragging on week by week. XYZ had overcome these delayed actions through information technology (IT) competency development and its adverse effects on the change management process. When driving this action plan with full team involvement, they would be able to raise the IT competency level of all stakeholders involved in this project. Here the most of the actions were dragging into several months and the project leader had to work hard to convince the operational team and help chain team regarding how to transform analog into the realization of this action plan during the digital transformation journey as shown in the below diagram.

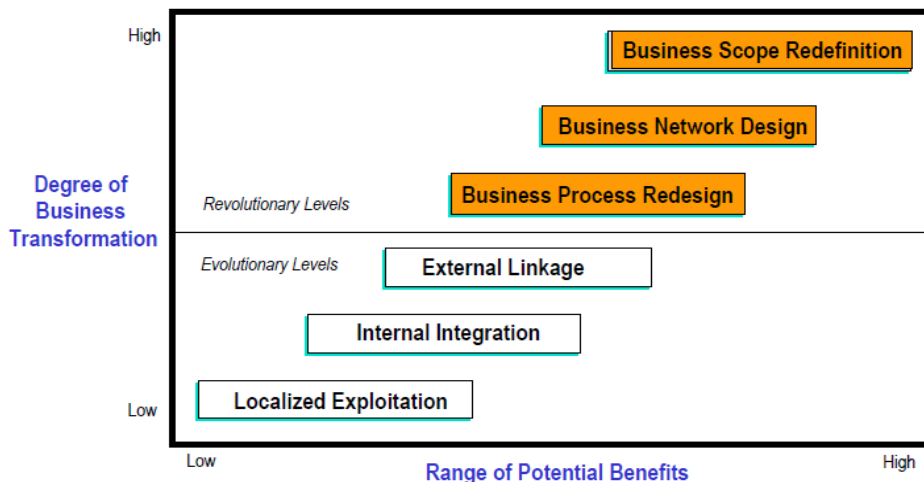
**Figure 6: The digital transformation journey**

The why transform question was always very challenging, and the organizations needed to provide clear justifications on change, collected facts and figures during the problem-solving session, Lean Six Sigma tools & techniques, and Business Process Management (BPM) methodology. Though clarified why transformation, the next stage of the journey for the smart transformation required prioritization based on the digital piano tool and transform categories could be identified. During that review the management team realized they couldn't rightly identify what to

transform and how to transform and therefore that was the cause of actions being dragging week by week without progressing as projected.

The categories are the business model, structure, people, processes, IT capability, offerings, and engagement model. These categories make up the most important elements of this organizational value chain as they are related to digital transformation. After prioritizing the transform category from a digital piano, the company had determined this organization needs to develop a fundamental capability with referring to the three elements in digital business agility which are hyperawareness, informed decision making, and fast execution. According to figure 07, it is mainly divided into an evolutionary level and revolutionary level: the evolutionary level is again subdivided into localized exploitation, internal integration, and functional interdependence, also revolutionary change is divided again into three as the diagram shows. In this business, analysis is mainly focused on revolutionary change and it is more related to business process redesign, business network redesign, and business scope redefinition in business processes management techniques which business process is an activity or set of activities that will accomplish a specific organizational goal. Business process management (BPM) is a systematic approach to improve those processes and most of the managers are process managers in the organization.

**Figure 7: Degree of business transformation vs range of potential benefits**

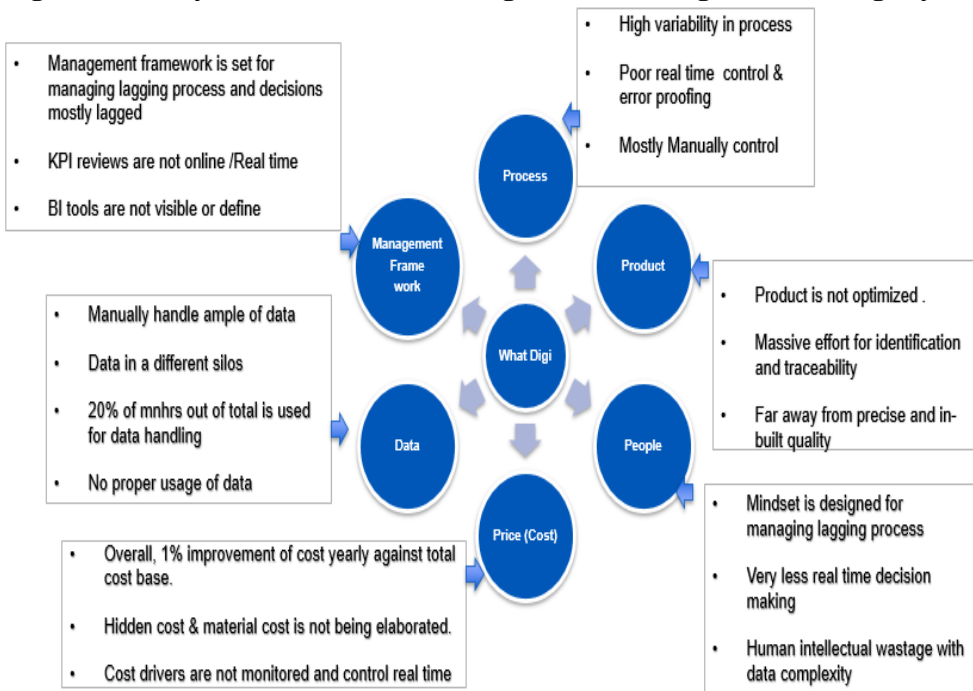


Digital business transformation can be motivated in the business environment due to its combination of social, legal, economic, physical, and political factors that affect business activities. It means any significant changes in any of these factors are likely to create business pressure in the organization. Three types of business



pressures are society pressure, market pressure, and technology pressure. These pressures became worse due to Covid-19 pandemic and the last thing to be added to these pressures is social shaming. It creates market pressures in the global economy and competition changes the nature of the workforce and the power of the customers. In addition, the technology pressures can be defined as technological innovation and obsolescence, and information overload. The advantage over competitors in some measures such as cost, quality, or speed, leads to control of a market and larger-than-average profits. Strategic information systems (SIS) provide a competitive advantage by helping an organization to implement its strategic goals and to increase its performance and productivity. Porter's Competitive Forces Model is the best-known framework for analyzing competitiveness (Porter, 1985) and it is used to develop strategies to increase their competitive edge. It demonstrates how it can make a company more competitive and shows the strategic position of the firm and determines the strategies not only by considering the competition with its traditional direct competitors, but also considering the forces in the industry's environment such as new market entrants, substitute products, customers, and suppliers.

Based on the digital piano with digital business agility components assessment through BPM methodology identifies the organizational needs and capability gaps to accomplish the digital business transformation journey. During digital process architecture, it is needed to understand the current capability issue/gap. It could accelerate the transformation and improve the long-term agility if hyperawareness, informed decision making and fast execution solutions are rightly identified for the transform categories under a business model such as structure, people, processes, IT capability, offerings, and engagement model. The figure 8 shows a detailed assessment, ensuring initiatives align to where there is opportunity to capture value, and developing rigorous business cases that can be tracked during the implementation. Before launching a digital lean effect, it is important to identify the right starting point. Often companies choose a wee-understood plant or line on which to focus. However, within that plant or line, they will need to evaluate the people, process, product portfolio, and readiness of technology to choose the exact starting points through a comprehensive analysis as shown in figure 8.

**Figure 8: Analysis of all transform categories in this organizational agility**

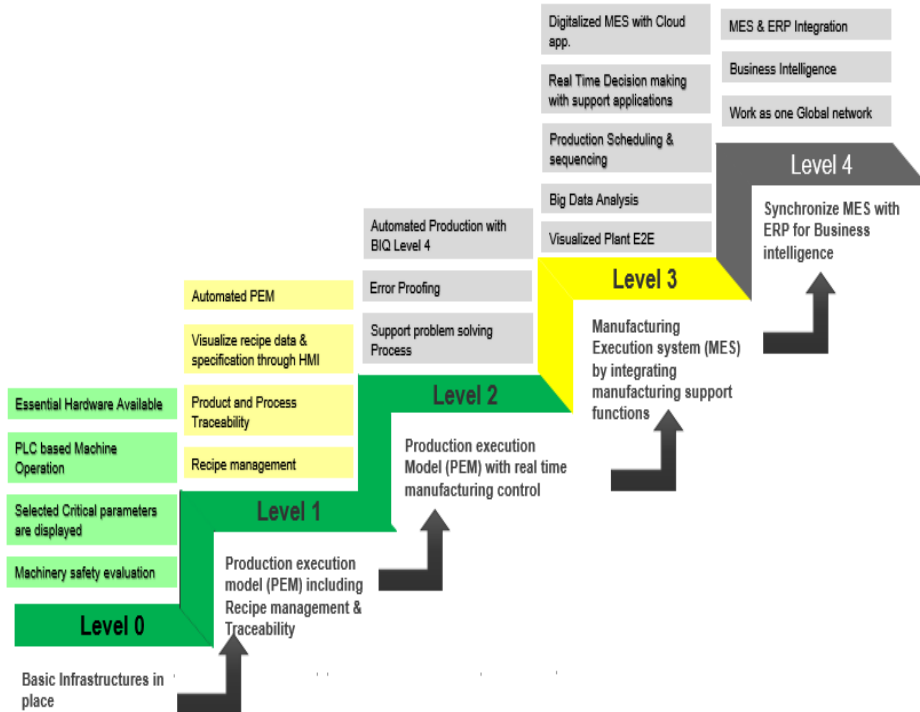
Current value chain analysis identifies specific and critical leverage points where plant operations have information technology practices. Future value chain targets specific and critical leverage points where a firm can use information technology most effectively to enhance its competitive position. Based on the above future value chain critical leverage points, the plant focus project activities can identify real causes in the business related to the Covid-19 pandemic by incorporating information technology. Hence, the competitive position can be enhanced more effectively to overcome those issues within two years. Manufacturing Execution System (MES) leads the list of long-term technology and a wide variety of technologies that help to build long-term operational excellence. Mainly MES includes two modules which are the execution module and control module. Execution module includes recipe management which are product management, product specification management, process management, and process parameters management, and control module controls real-time tracking and decision-making steps. Most of the modules were from the SAP and many different exiting tools were developed in-house and modules from different vendors were integrated and used in cloud computing.

According to the digital transformation pyramid, there are mainly four areas are to be considered such as process transformation, business model transformation, domain transformation, and cultural and organizational transformation. Considering the cultural and organizational transformation, for the successful digital transformation, a highly skilled IT team is required for any organization, and building such a team is getting harder and XYZ also faced the same situation at the beginning of this transformation. The IT literature competency level of this kind of transformation of the non-IT team of the company was very less. There was big resistance from the team on the process of conversion of the current analog practices to digital processes due to poor IT literature and the competency level. They could not understand the benefits that the company and employees would get with this transformation, but they were scared about job security. They thought that objective of the company is just to monitor employee performance. Existing team members could not actively contribute to the process due to less IT literature and it was difficult to recruit a new employee who has IT literature since they did not have the practical knowledge of the current practices. To sustain the actions on the floor, XYZ developed a computerized work standard sheet and ensured those actions were standardized. The company trained all the members who were engaged in the new process through the competency development chart in their jobs. However, the current pandemic has challenged all scales of industries in the business to build the capability within the country. Selecting new IT tools was very difficult and risky while in-house development was very time-consuming. Integration of the pieces of digital systems was also a big challenge. Using devices in the manufacturing environment and feeding the manual data into the new systems was also a big hassle to overcome. To get the right output efficiently, integration with external parties such as customers and suppliers was also a compulsory factor when implementing the right strategies. Due to the support given by consultants of SAP, XYZ could overcome this situation.

According to figure 9, the tasks were planned in each level of the transformation pyramid. The basic infrastructure was set up at level zero. The new hardware requirements were estimated by analyzing the existing resources and the proposed solution. Dashboards were decided by discussing with all stakeholders especially the ground layer before finalizing the KPI. level one focused on product and process traceability through the automated production executed model. Automated production and error-proofing were planned in level two. Integrating manufacturing support functions with manufacturing executing system was planned in level three and the integration of manufacturing executing system with main organization ERP was planned in the final level. After completing the integration with the global ERP system this will work as a business intelligence

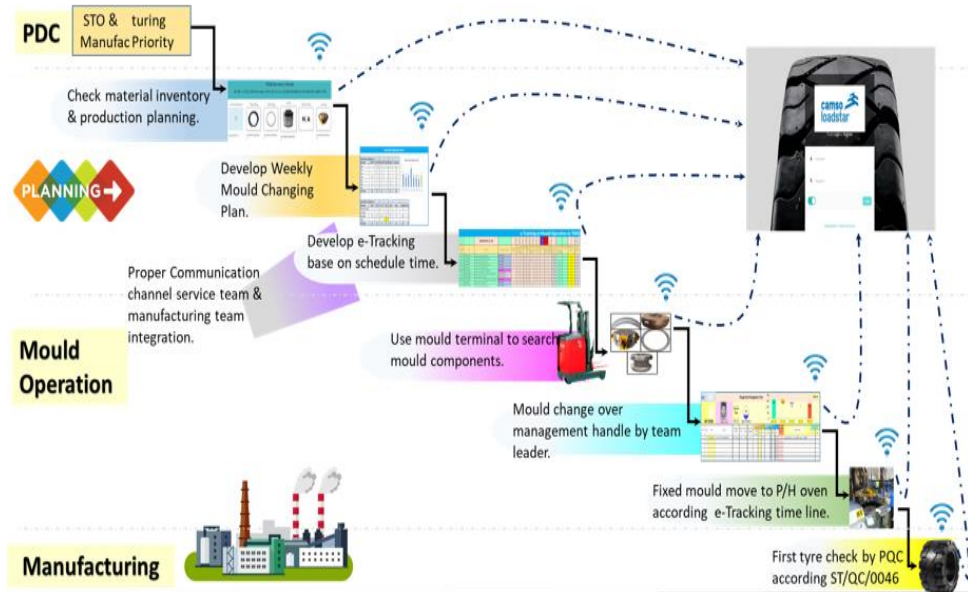
system and will help in taking decisions. The final objective of increasing customer satisfaction and the motivation of the employee while increasing the efficiency of the production line will also be achieved.

**Figure 9: Digitalization execution levels**



After brainstorming with all the stakeholders, the company maps the digital manufacturing decision-making tree throughout the value stream in the plant operation communication system which is interconnecting with the real customer order manufacturing execution system. Digital lean generally requires three key enablers at the plant, and every plant will have different immediate needs across the three areas which are getting the data of information technology (IT) and operational technology (OT), standard processes and its data management, and data enables technology platforms.

**Figure 10: Manufacturing integration with connecting with digitalization towards process excellence**

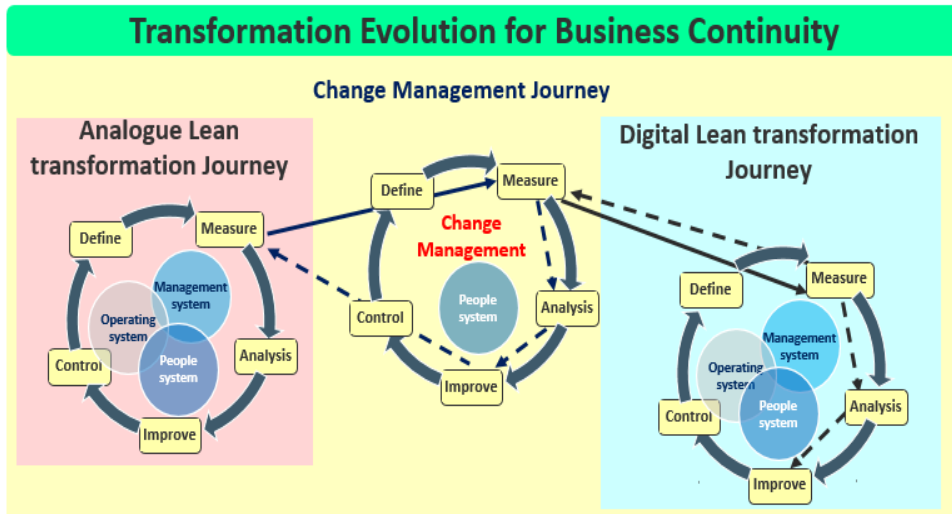


Plant planners in the planning department can get the information of customer demand anytime due to the integration of the worldwide Distribution Centers (DC) and new digital manufacturing integrated system. Since working on the centralized integrated system, Sri Lanka's primary distribution center will get the customer demand and send the pull signal to the manufacturing plant. Based on the Shipping Transit Order (STO), the inside material handler can identify the components-based line allocation schedule to achieve the mold allocation plan to the mold unit. Simultaneously, operation management could visualize all workstation utilization and working progress in the relevant digital dashboards. When machinery is ready, the production starts based on the allocation line schedule. This information is also visualized in the digital screen on the floor to enter real-time data and monitoring by team leaders and shift managers.

More than 82% of hardcopies are eliminated by digital technology to promised order delivery live manufacturing tracking. It is very helpful for the Daily Management System (DMS) to optimize the operational excellence journey as well. While using real-time data capturing, the system can minimize the operations of manual recording system. The next step was to work out a functional design that helps define and validate the operating model framework, high-level future state process design, roles and responsibilities, and success measures and metrics for

each function. The result would be unlocked through business change to faster innovation, higher productivity, increase efficiency in processes, and enhanced customer experiences. Successful business transformation requires the development of a key capability through digital business agility.

**Figure 11: Transformation evolution for business continuity**



Thinking big establishes the vision and the associated capabilities to develop. Many companies use digital foundry for this purpose. A digital foundry set a mission and a strategy, manages the portfolio of digital investment and activities to develop capabilities, and the digital lean solution across the enterprises. Then start small with a pilot where the solution can capture and measure new value and where the people, process, and technology are ready for change. Considering the following specific characteristics and attitudes as a compelling operational issue, above those factors readiness and measurable impact when selecting a targeted pilot for digital transformation capabilities. Scaling fast can generate business value. Digital lean provides new ways to eliminate waste and make people, processes, and technology more productive. Coupled with a deliberate, value-driven approach, digital transform can put companies on a new productivity frontier that can lead to a factory with higher efficiency and lower operating costs than ever would be possible with traditional lean manufacturing. Business transformation is a collective of tolls and mythologies as shown in figure 11. XYZ has been able to complete most of the steps of its digital transformation journey already and it was sped up due to the Covid-19 influence. According to figure 11, analog lean transformation is completed, and dashboards are introduced to replace the manual documents and to remove the dependency on limited human expertise

experience. The most difficult part of the change management journey was unavoidable due to the Covid and completed already.

The next action is to develop the end-to-end operations model that would fit into the functional design such as aligning key design principles confirm target opportunity and focus areas and high-level success measures and metrics, discussing and validating cross-functional E2E supply chain and manufacturing operational model design. According to the digital roadmap, the implementation such as opportunity prioritization matrix, short term (90 days) roadmap, midterm (1-2 years) roadmap has been completed. But the long term (3-5 years) roadmap from supply stream to customer stream is yet to be completed. Mind-sets of employees were changed positively to support the new changes. Employees were motivated and efficiency was increased. Dependency of the individuals has been decreased and employees have been used to work in the process. Integration with the global ERP system is yet to be done. Once every integration is completed, the system would support the decision making at a deep level. From the outset, XYZ has identified several essential cultural traits that encourage agility, flexibility, the primacy of collaborative work, entrepreneurial spirit, and support for innovation. Given this, it felt to us to advocate open innovation models as a way to overcome the limitations to which organizations are typically subject and place the development of value proposals in the hands of the best talent whether it could be found in employees, customers, outside partners or any other company's stakeholders. The cultural transformation is undoubtedly even harder to achieve than technology, because of the lack of role models or benchmarks. The company had to work with the infinite complexities of people, social relations, and pre-existing cultures.

It was some time ago that XYZ perceived the risks and opportunities inherent in technological change, and for several years' company has worked towards reinventing the company and moving on from analog tools. But there is more way forward with the digital business of the twenty-first century. XYZ has come a long way and is now in a position to lead the process of transformation of the manufacturing industry and to become the first and best knowledge-based, fully align with the digital ecosystem. But it is aware that there is still a long road ahead. The level of transformation envisioned is in the progress and far from yet to complete. Far more importantly, technological changes continue apace, and society is changing with it surly using the dawn of big data technology. The Internet of Things is only just taking off but is set to grow exponentially. The company is running a race which, for as long as the present stage of scientific and

technological progress accelerates, has no discernible finish line. If XYZ is not to lose the way and does not become complacent or resign by the company, the next best action is to modify people's attitude to change and must not merely accept but embrace and promote change. This calls for strong and cohesive leadership throughout the organization. The leaders of the company must advocate change, encourage change by example, recognize those who support change, and take steps to remove the practices and structures that stand in the way of change.

This is surely the key to XYZ's successful transformation so far, and this kind of leadership is needed in the future to achieve the company goal that XYZ should become the foremost figure in transforming the best of analog manufacturing into the best of knowledge-based banking for the twenty-first century. Transformation is fundamentally about change, and organizational change is the foundation of digital business transformation. Organizational change, related to people, processes, strategies, structures, and competitive dynamics is where most of the challenges and opportunities reside. According to this digital business transformation, while organizational changing XYZ model plant using digital technologies and business models to improve performance in company operational excellence for achieving competitive advantage. Digital transformation is tropically effective and robust. It can reduce the effort to understand operations and generate more accurate, precise, and timely information. It is more than a set of industry 4.0 tools encompassing re-evaluating current processes using a digital mindset way from experience-based to data for more efficiency than analogy lean processes alone could ever do. Moreover, targeted strategic digital lean efforts do not necessarily require a significant upfront investment to realize benefits in weeks. One plausible approach may begin with thinking bigger than, then starting small, and finally scaling fast.

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## **Epitomizing Brand Love – Humble Journey of Maliban towards Sweet Success**

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### ***Preface***

*The story unveils the biscuit brand, Maliban, a family-run business that started off from a small tea kiosk in the heart of the city Colombo, now to a brand representing many product categories occupying the tea table which has won the hearts and minds of many local and international consumers. The whole saga reveals, since 1945 how the legendary founder of the company was bold and courageous enough to make handmade biscuits and challenged the imported biscuits brands which were dominating the local market at that time. In an era where there were minimal facilities available to market products, winning loyalty for a brand and becoming the most preferred biscuit brand and owning a high top of the mind recall is commendable. Amidst stiff competition, occupying the mind share of biscuit consumers has been a herculean task especially for a product in the FMCG category. At a time when most organizations are squeezed to maintain cost with high productivity at the expense of quality, this case story discusses the business acumen demonstrated by the founder, then by the next generations of the family members to progress in the business through many spheres by not only conquering the biscuits market, but also by stealing the hearts of discerning consumers through epitomizing brand love.*

### **The beginning of a dynasty**

According to published papers, the survival of family enterprises will be controversial in the future! There is factual data that only about 30% of family enterprises survive to the second generation and only about 10% to 15% survive to the third. The prime reason for this failure is poor succession planning. But Maliban, the pioneer biscuit manufacturer in Sri Lanka with a profound history drawing back close to an amazing seven successful decades, founded by the

visionary businessman Angulugaha Gamage Hinnyappuhamy, today stands tall as one of the country's most trusted and loved brands among all age categories. Like Cadbury junction, a unique landmark location known to any Indian where the Cadburys house is in the busy city of Mumbai, Maliban junction among the many is another significant geographic location in Sri Lanka. The House of Maliban is situated in the western province towards Colombo south. International biscuit categories such as cream cracker was first time introduced to Sri Lankan consumers by Maliban setting a new trend in the biscuit market. Keeping in line with this trend, today, Maliban has successfully brought in an armory of a vast range of biscuit categories that have helped the competition to benchmark and develop their biscuit ranges. The astute leadership rendered by the second and the third generation involved in this family enterprise, has taken the business to the next paradigm resulting in business growing in leaps and bounds. Today the Maliban surpasses 25 billion revenue annually and is a global food company with exports to over fifty countries.

The success of Maliban is like the narrative 'Dick Whittington going to London'. Hinni Appuhamy, a 17-year-old youth from Akmeemana in Galle, came from a family of four sisters and three brothers whose parents died while the children were young. He arrived in Colombo in 1922 with only 75 cents in his pocket and was fortunate enough to take over the canteen of Mackinnon Mackenzie & Co., Ltd. through one of his relatives. However, the agreement was terminated after a few months due to a jealous individual who covertly placed salt into the sugar bowl. However, Hinni Appuhamy would eventually be grateful to the man who put salt because it was the turning point in his life. He was supposed to return to Galle, but he stayed until the end of the month to collect his dues and settle the debts. Subsequently, he found a location at First Cross Street in Maliban Street Junction, rented it, and opened a tea kiosk. With his business thriving, he established a larger hotel on the ground level of the Victoria Hotel at 62 Maliban Street in Colombo Fort in 1935. As his business grew, he brought down his two brothers from Galle to help him. Hinniappuhamy a man of foresight opened his second hotel on First Cross Street before relocating to No. 85 Norris Road. His fortune was on his side, and business was booming. He established hotels on Baseline Road, Norris Road, and Chatham Street. He also bought the bakery, which initially sold bread and cakes. Slowly but steadily, he diversified his business into dairy, mineral water in 1935 and afterward branched off into the ice cream industry where he opened Maliban cream house in Colpetty. Soon after World War II, in 1945, the assets of the three brothers' enterprises were organized as a limited liability corporation known as Maliban Hotels Ltd. Oilman stores, six

hotels, one tearoom, an ice cream parlor, a mineral water company, and a bakery were all part of the enterprise. The bakery business Hinniappuhamy initially began making bread, but later added handmade biscuits to the range. One of the first biscuits made was the Maliban Marie which ultimately became a hot seller. A plant was purchased from Baker Perkins, and the creation of Maliban Biscuits began on a large scale in 1954, after the bakery division was turned to a limited liability business under the name and style Maliban Biscuit Manufacturers Ltd. No.11 Van Rooyen Street, currently A G Hinniappuhamy Mawatha in Colombo, was the registered office. The upsurge in sales resulted in the business to expand and the factory was equipped with automated machinery that can manufacture larger volumes to meet the rising demand. The government had also provided adequate support by prohibiting all biscuit imports during the company's early years. A plot of eight acres was purchased on Galle Road in Ratmalana, in 1993. With the rise of the export market and a thriving local market, a massive ultramodern facility was erected at a cost of Rs. 350 million, adding an additional 20 tons each eight-hour shift.

### **The recipe behind the success**

Having initially started the business from a tea kiosk seven decades ago and to achieve a meteoric rise Mr.A.G. Hinniappuhamy had a vision and the courage to drive his business to an empire that would forever change the Sri Lankan biscuit industry. An ardent Buddhist who lived by the Buddhist principles implied the same to the business where he ensured giving best to the consumer and made reasonable profits. Mr. Hinniappuhamy embedded with leadership and humane qualities which were unique and rare to a true leader. He had a unique characteristic where he always at his best tried to help anyone who ask for help without saying ‘no’. Being a people’s person, he always believed employees are an important asset for the organization and ensured to keep staffs’ satisfaction at the highest level. He understood the employee satisfaction comes not only through financial gains, but emotional happiness retrieved by allowing employees to spend quality time with their families sometimes even surpass the financial benefits. The current management of Maliban still practices these impeccable humane qualities inherited by the legendary founder of this organization. This is evident with the eruption of the pandemic the first thing the management wanted was to take every precautionary step to keep all their employees and their families safe. When job security, was at risk during the pandemic the Chairman and the board of directors took a concerted decision to manage the business in such a way in order to protect not only employees’ jobs, but ensure their perks are not

reduced. This demonstrates the concerns the company have towards their employees.

The motto of Mr. A.G. Hinniappuhamy was *as a responsible citizen of this country, we believe and practice not releasing any biscuits to the market that cannot be consumed by you or our own family members* “*was the noble purpose of his business.* In other words, what he indicated was "Take care of your customers and treat them as if they were your own family. This term, which exists in marketing lingo, where it was before non-existent and very pertinent in today's context as well. The customer centricity concept which was brought into light in the recent past by many internationally renowned authors was the mantra that the founder of Maliban practiced at the beginning of his business. Delivery of supreme quality products inspired by the goodness at an affordable price is the recipe behind Maliban's success from its inception. What distinguishes Maliban products from the competition is the policy of ensuring that all of the products are safe for customer consumption. Before being granted the green light to deliver to the market, family members taste all of the products that are produced. Being a manufacturing-focused company with product quality ingrained in their DNA. Still, the Chairman and Board of Directors visit the factory every day at 6 a.m. and spend two to three hours there: a rare display of senior leadership leading from the front and encouraging the production floor staff. This policy is still in effect and has become a tradition that all adhere to. Maliban's ingredients are all natural and of the highest quality, making it incomparable to any other. For example, the Maliban Cheese Bit cookies are made with the best Australian cheese; the chocolate biscuits are made with the best cocoa from Ghana and Ecuador, and so on. Maliban believes in building long-term relationships with its customers, which is why quality has always been inherent in the Maliban product line. This reflects the endeavor to build brand equity which denotes the extra value that a brand bestows to a product. The term "brand equity" first used in the 1980s speaks the differential effect of brand knowledge (consisting of awareness and image) on customer response to brand marketing. A value premium produced by a corporation when contrasted to a generic equivalent from a product with a recognizable name is referred to as brand equity. Businesses will establish brand equity for their products by making them unique, easily recognizable, and superior in class and reliability. Additionally, mass marketing initiatives aid in the development of brand equity. When a company has favorable brand equity, consumers are willing to pay a premium for its goods, even if a competitor can get the same product or service for less. Perceived quality is one of the elements which has to be maintained consistently in building strong equity for a brand.

Brand equity, on the other hand, is concerned with how consumers perceive the brand. The perceived quality of a brand can be defined as a consumer's subjective overall judgment of a product's excellence or superiority, as a result of a process of evaluating its various attributes (intrinsic and extrinsic), each of which will have greater or lesser importance depending on situational and personal factors.

Today, the organization employs over 3000 employees, is led by a team of specialists who lead important disciplines. The founder's second and third generation family members serve on the Board of Directors. The present Chairman, Mr. A. G. Ratnapala Samaraweera the son of Mr. A. G. Hinniappuhamy, has led the company with distinction for the past five decades, making Maliban a household name in Sri Lanka. Maliban remains a truly family-driven company, and the third generation, led by the current Managing Director of the Group and the Chairman's daughter, Ms. Kumudika Fernando, is well positioned to carry on that legacy for many more decades.

### **FMCG market outlook and industry situation**

Fast Moving Consumer Goods (FMCG) are products that are sold quickly, widely available and at relatively lower price points. The industry can be mainly categorized into three broad areas which are food & beverage, personal care and home care. Over the past decades, the industry has developed tremendously luring more and more players to compete in each of the above categories which, eventually has increased the bargaining power of consumers, giving them a wider choice of products to select with. Even in Sri Lanka, the FMCG industry has leapfrogged over the years with the representation of more multinational and local brands entering and competing intensely. Broadly the industry reaches its target consumers through general trade and modern trade. According to the annexure 1, the total outlet universe in the general trade stands at 267,000 which are reached directly or indirectly and more than one thousand modern trade outlets managed by different companies which are serviced directly since those channels require special attention. Out of this general trade outlet universe, nearly 150,000 outlets sell branded products and any leading FMCG company on average has a decent coverage of nearly about 100,000 outlets. In Sri Lanka still, general trade contribution to the FMCG business stands at around 80% which consists of mom and pop stores deployed across the country. Modern trade on the other hand shows lucrative growth, but it will take a few more years to gain more grip in the market over general trade. In total, the FMCG industry value stands at around LKR 242 billion with general trade contributing about LKR 194 billion

(Nielson Sri Lanka, 2020) and Modern Trade accounts for approximately LKR 48 billion. But lately, the industry has witnessed the emergence and gradual expansion of e-commerce business with the eruption of the pandemic, yet it looks to have a very minimal contribution in terms sales but appears to be lucrative in years to come.

According to the article published in LMD in 2017, today, Sri Lanka's biscuit business exceeds 81,000 metric tons and is valued at approximately Rs. 36 billion! Innovation is at its pinnacle, new products continue to emerge, and several rural and suburban companies with good packaging and quality products have just joined the market with niche volumes of less than 1%. Now, around 49 brands account for 10% of the market. Sector grows at around 2-3 percent and the industry structure remains duopolistic, with two brands controlling 90 percent of the market where Maliban accounts for approximately 38% and other leading brands holds balance market share. The country's per capita biscuits consumption is the highest in the region of two -three kilos whereas neighboring India holds 1.1 Kg and Indonesia has 1.6 Kg. External factors such as increased urbanization, higher disposable incomes, and busy lifestyles drive the biscuit sector, with individuals preferring food items that will satisfy hunger and energize them on the go. Over the last year or two, there has been pressure on discretionary finances, causing consumers to avoid buying what they consider non-essential things; sadly, biscuits and confectionery sales have suffered because this segment does not appear on many households' 'essentials' list." A major trend in the market, however, has been the proliferation of health and wellness categories, as the country's demand for healthy and delicious yet low-calorie items grows. Growing urban health consciousness is motivating local players to experiment with sugar-free and wholegrain goods that fulfill wellness needs. While this customer group may not be significant, it is a rising one in which manufacturers cannot afford to ignore. Furthermore, customers in this sector are willing to pay more for such products, meaning that it is time now for the manufacturers to develop healthy solutions that can be marketed properly. According to a global industry market research analysis, the trend toward high-fiber food products is encouraging manufacturers to integrate fibrous and other healthy ingredients into their products.

## **The competition and challenges ahead**

While most biscuit sales in Sri Lanka are seen at general grocery 'mom and pop' stores, the rise of the supermarkets immensely contributes towards driving sales.

Attractive packaging is a critical component in promoting biscuit sales, and as a visit to the store will illustrate, Sri Lanka does quite well in this area. It is apparent that manufacturers are taking measures to innovate in terms of taste, ingredients, flavors, packaging, and the overall look and feel of their products in order to attract customers. Imported biscuit companies have struggled to gain a significant market share in Sri Lanka because they do not appeal to the local palate. Although consumers are pretty fickle, perhaps the loyalty and comfort aspects, as well as the price-sensitive attitude of consumers, have guaranteed that local brands rule the roost in this scenario. Imports of biscuits into Sri Lanka should be discouraged so that local companies can expand without the market being inundated with foreign biscuits.

Advertising, marketing, and promotion are major growth drivers, and mass media is aggressively used to increase brand visibility and promote awareness. Despite the fact that there are nearly 49 participants in the biscuit sector, two of the top players control the majority of the market. The sector confronts price-sensitivity challenges, but the only option to regulate pricing is for raw commodities such as sugar and coconut/palm oil to be produced locally. Local production of coconut oil is insufficient to meet demand, prompting firms to import these fundamental products. This sector has the potential to be a specialty export for Sri Lanka as well. Leading players are selling locally created biscuits to nations worldwide such as the United States, Europe, Australia, Africa, and the Middle East, demonstrating that they are on par with the rest of the world. The larger firms have advanced production technology and machinery, which is bolstered by the use of globally recognized quality certificates, which help gain export orders. In reality, a few major firms such as Maliban and Munchee have already begun the process of establishing operations in the region to develop their businesses and cater to those markets. Because the local market is somewhat saturated, this is a promising development for the sector. Biscuits have almost 100 percent market penetration in Sri Lanka!

### **Brand excellence all the way**

Branding is a deep expression of the human soul. Branding has a very long history, where prehistoric communities applied brands to cattle and humans before it was applied to products. Modern companies have associated with such affiliations and adopt logos and trademarks to market their products and services. A product when it becomes a brand, promises immense benefits both functional and emotional to the consumer in terms of quality, trust and a distinct place amongst



a range of choices. Brand epitomize as a true representation of who you are and how you intend to be perceived. Once the brand name is decided it must determine a clear brand identity by providing direction, purpose and meaning for the brand. It is central to the brand's strategic vision and a vital element of one of four principles of brand equity: associations which are the heart and soul of the brand. Although there are macro-economic challenges the country faces, we witness a colossal amount of investments being done by organizations, particularly the private sector, to bombard the consumer with many advertising messages through Above the Line (ATL) and Below the Line (BTL) mechanisms to trigger brand purchases. This shows the amount of optimism the organizations have towards building brands.

Spanning a proud history of over half, a century, Maliban today is a household brand loved by many discerning Sri Lankan consumers. From its modest beginning to reach a formidable position in the food industry and to occupy itself as a most respectable corporate entity is not a miracle, but a sheer demonstration of passion to excellence. Making people to love the brand is a tedious task that cannot be accomplished overnight. But this is a result of offering products of the best quality at an affordable price backed by good corporate governance made the company reach this pinnacle. Maliban is the only company in Sri Lanka, and possibly Asia, that carries all three crucial products for the "tea table," biscuits, milk, and tea. From a modest turnover now to a revenue of Rs. 25 billion the company has shown a remarkable increase in its business over the years. So far, the voyage has been both amazing and rewarding.

Given the prevalence of consumer choice, businesses recognize that gaining liking and happiness is no longer enough to sustain consumer loyalty over time. Therefore, today marketers are challenged to explore ways to make their brands loved by customers. Much research has been conducted on the function of love in consumer-object and consumer-brand connections. Significant parallels have been discovered between the emotional responses that people have for their loved ones and those that consumers have for objects and material goods. Love at first sight is a powerful phenomenon that has to be distinguished from more gradual love encounters. When we fall deeply in love, we tend to commit ourselves wholeheartedly to the relationship, experiencing higher passion and intensity, and connecting with the other person to a big level. When customers fall in love with a brand at first sight, they exhibit deep and emotional feelings from the start. Their developmental paths begin high and are more likely to remain high in the future. In the branding environment, this propensity has been referred to as brand

love, which is defined as "the degree of strong emotional attachment a satisfied consumer has for a particular brand name." Understanding brand love is important because it leads to desirable organizational outcomes such as good word of mouth (WOM), brand loyalty, consumer readiness to pay a premium price, forgiving of brand failures, and favorable public displays of affection towards the brand. When brands provide value to their consumers through enabling, enticing and enriching benefits it will empower, satisfy and inspire consumers making them motivated to build an enduring relationship with the brand. This eventually enables consumers to trust, love and respect the brand.

The above clearly epitomize in the Maliban story where quality and innovation are etched in their DNA. They always ensure the best quality ingredients are used to produce biscuits and the highest hygienic standards are maintained throughout the process with excellent packaging to ensure freshness. This has been testified by many national and international quality certifications. Maliban is a quality certified company where it possesses ISO 9001, 14001, 22000 and OHSAS 18001. Besides this, the company has won many national quality awards which justifies its effort towards sustainable quality. In manufacturing biscuits such as the famous Maliban Gold Marie which is enriched with vitamin A, B, D and E and a favorite of many children. In producing this the best vitamins are imported from Switzerland. Because of its manufacturing technique, the Maliban Cream Cracker, another one of the company's unique products, cannot be imitated by any other cracker product. Other biscuit manufacturers use excessive chemicals to improve output and attain more crispiness. However, this will undoubtedly have a negative impact on people's health in the long run. Therefore, understanding that creating an unhealthy nation is not their objective, hence they use only the best natural components in the production of any Maliban product. With the melamine scandal becoming a concern, particularly for biscuits and milk products, the House of Maliban stepped forward to aid the government by donating the country's first melamine testing machine to Sri Lankan government. In order to ensure correct and consistent quality, the company's Quality Circle Teams always investigate the core cause of any problem and implement effective remedies.

The company has devised techniques to reduce damage, maintain proper hygiene, and expand production operations. As the company invests substantially to maintain and improve quality consistently, consumers have no fear in buying any product with Maliban name on it because of the trust, loyalty and the love people have for the brand and believes that 'Maliban always gives quality product'.

“Maliban has invested in an effluent treatment plant to contribute to the national environmental strategy by ensuring that all liquid waste does not pollute the environment. In living with the values of the founder, Maliban has been involved with many Corporate Socially Responsible (CSR) activities in order to uplift the lives of underprivileged people in the society. Such initiatives were carried out even long before the term ‘CSR’ became popular among the corporates. The company has been contributing to society in numerous ways such as building and upgrading hospitals, temples, churches and community centers especially in the rural areas where most do not pay attention. These CSR activities were conducted not with the objective of gaining any publicity or commercial paybacks, but looked at how will the society and country will benefit through such socially needed activities. Through such initiatives, they have brought smile to many poor people which surely have resulted in the name Maliban engraved in their hearts forever. Although with tit-for-tat marketing communications competition can gain mind and market share, but winning the heart share of consumers is a dream unless consumers do not see the delivery of brand promise in their eyes or experience it. In that instance, Maliban has won the hearts of many Sri Lankan consumers young and old who demonstrate the love for the brand.

In living with the core purpose “innovation and quality” Maliban has embarked on introducing many novel products to the market. At a time when consumer preferences are evolving and they are looking for greater choice and variety Maliban gave its consumers a different cracker experience by introducing three interesting and unique categories, namely the Fun Cracker, Classic Cracker, and Vegy Cracker (with natural vegetables), accompanied by very attention-grabbing advertising in which made the mundane cracker category more exciting. Although the company is manufacture driven it does consumer-centric marketing. Some attractive thematic advertising campaigns have been developed around key product lines to ensure raising awareness. It is critical for a brand’s success to raise awareness among the target population by creatively expressing a genuine message. Apart from traditional ATL and BTL communication Maliban brands reached towards digital advertising since it shows more promising results especially among youth, in building awareness for products (Annexure 2 & 3- Category Spends & Media habits). The recipe for a successful organization depends upon having a great product backed with sound distribution, effective marketing, and a totally dedicated, dynamic team is a powerful combination for long-term growth.

Place or distribution is an important element in the marketing mix. Especially for

a product in the FMCG industry distribution plays a key role since the product has to be available at the time consumer wants and at the right location. In an industry where stiff competition is in existence, it is hardly that consumers travel from one shop to another looking for the brand they prefer, instead will end up buying alternative brand to meet the purpose. Even brands with great equity will suffer if availability is inadequate. Learning from the flaws in the past where the company thought that they can leverage with their strong brand name and dictate terms to channels partners such as distributors and retailers, created an opportunity for competition to capitalize on the market which eventually resulted in losing market share. As a progressive organization soon, the company rectified its mistakes and at present endeavors in building loyalty with all their stakeholders particularly with channel partners who have a higher bargaining power due to competition. Maliban is attentive towards improving their outlet coverage and has invested considerable amounts of resources to sharpen their distribution strategy compatible to meet the market requirements. With the adaptation of proper strategies to improve distribution, today, Maliban has surpassed nearly 90,000 shops in the general trade. Further, the company has made a consistent effort for the brand's prominence in the growing modern trade network in the country, which is another win. Since general trade still accounts for wider contribution for FMCG sales, whilst it endeavors in maintaining and improving their numeric distribution it needs to gain more throughput from outlets and practice more customer marketing to further build relationships with their channel partners to win more loyalty towards the brand (Annexure 4 – Distribution top categories and companies). Particularly, during the times of pandemic, the company made efforts to serve their loyal retailers to ensure not only availability but also providing them with trade facilities in these trying times.

### **Way forward**

In approximately the previous five years, Maliban has invested over LKR 2 billion in machinery as part of the diversification strategy. They invested in a cutting-edge cookie manufacturing plant, revitalized the milk business, and acquired an Agribusiness that produces cereal items. Maliban Yahaposhha is a four cereal product fortified with vitamins, and source nearly all of the raw materials from local farmers. Although the business is on a diversification drive still will more focus on the biscuit category as this is the core competency of Maliban which evolved for nearly seven decades. Given the consideration, due to cost and limitations in the market size, the firm's next five years' growth trajectory is to operate at least three factories outside Sri Lanka to make it truly a global enterprise.

Maliban's other area of focus is consumer-centric product innovation and is particularly concerned with the health and wellness food category. As an innovative organization, it is vital to look at new avenues to keep the evolving consumers engaged. In Sri Lanka, five out of around 50 different products account for approximately 60% of the whole biscuit market, among biscuit makers. When it comes to industries in Sri Lanka, the food sector has done particularly well in recent years. Consumers are becoming more concerned with their health and wellness, which is influencing the food industry's future. As a confectionery maker, it is important for adapting to changing consumer demands. Maliban has one of the best R&D networks in the food sector, and we are always inventing and updating our portfolio to satisfy changing consumer demands. Having a strong brand is an asset to any organization. Maliban, not only possesses a strong brand, but also a brand that is loved by many discerning consumers. With this benefit in place, the brand can surely leverage its strength in extending the brand to related categories such as health & wellness and confectionery such as chocolates. This will allow the company to stabilize its market presence further to generate growth and reduce the risk of focusing only on biscuits, a category that has reached almost a hundred percent penetration. Apart from growing in the local market the company must expand its global stance and consider entering potential international markets with the manufacturing presence. This will enable the company to occupy Maliban as a truly global brand!

Having the fundamentals in place will always enable a firm to expand more sustainably. Excellent products supported by customer-centricity embedded in the DNA and a highly-skilled, motivated team backed with proper leadership from the top, will always result in a winning recipe for the organization to succeed, which clearly epitomized in the Maliban story. Maliban is a unique example of a true Sri Lankan brand that has earned the faith and confidence of both local and foreign consumers, having pioneered the biscuit sector in Sri Lanka. Maliban has set new heights in the industry with its high-quality biscuits and milk powder product ranges, and in future, they should use its expertise to introduce innovative products based on market demands to fuel more growth. What more can you expect from a renowned and leading brand that has won the hearts of consumers to the fullest?

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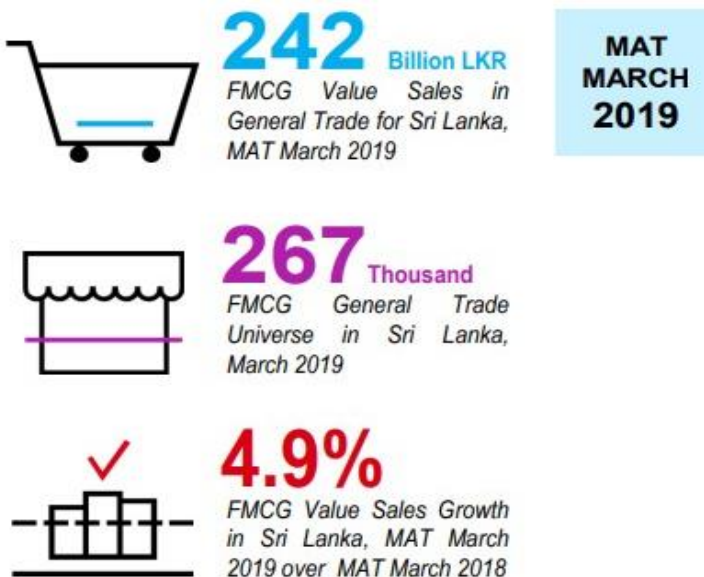
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## Annexures

### Annexure 1: FMCG performance



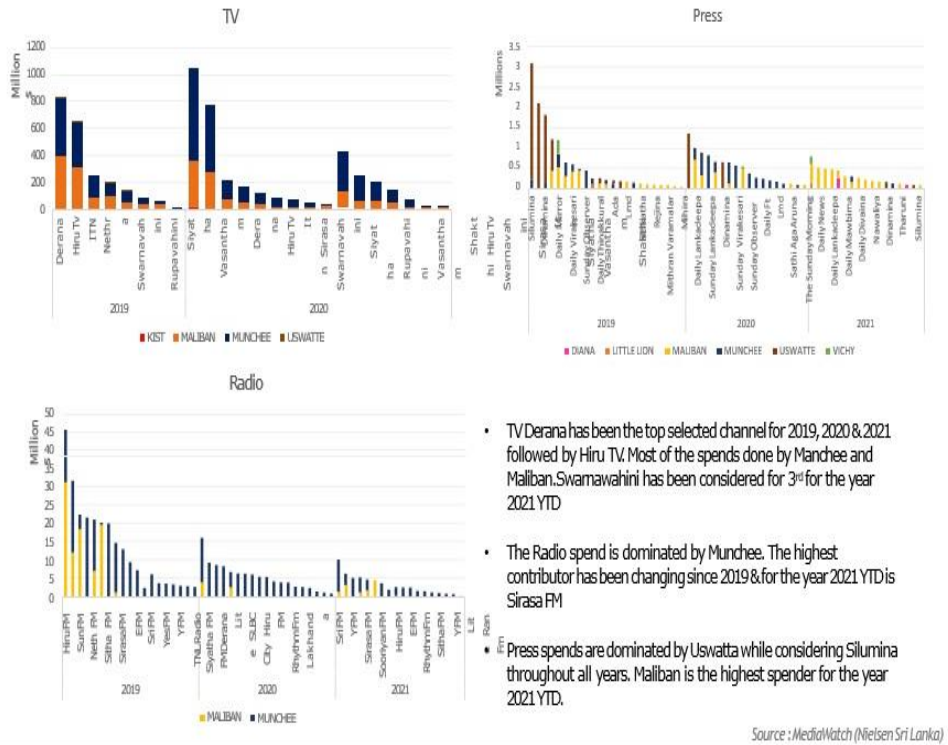
Source: Nielsen (2019)

### Annexure 2: Category spends

#### Manchee is the most dominating brand

Rank	2019		2020		2021 YTD	
	Mother Brand	Spend (Rs. Mn')	Mother Brand	Spend (Rs. Mn')	Mother Brand	Spend (Rs. Mn')
1	MUNCHEE	1,365.17	MUNCHEE	1,776.99	MUNCHEE	1,267.95
2	MALIBAN	1,074.12	MALIBAN	839.74	MALIBAN	454.68
3	USWATTE	33.55	KIST	9.62	KIST	22.33
4	CHERISH	4.14	USWATTE	2.06	DIANA	1.66
5	BAKERS FRESH	3.81	VICHY	0.05	USWATTE	0.22

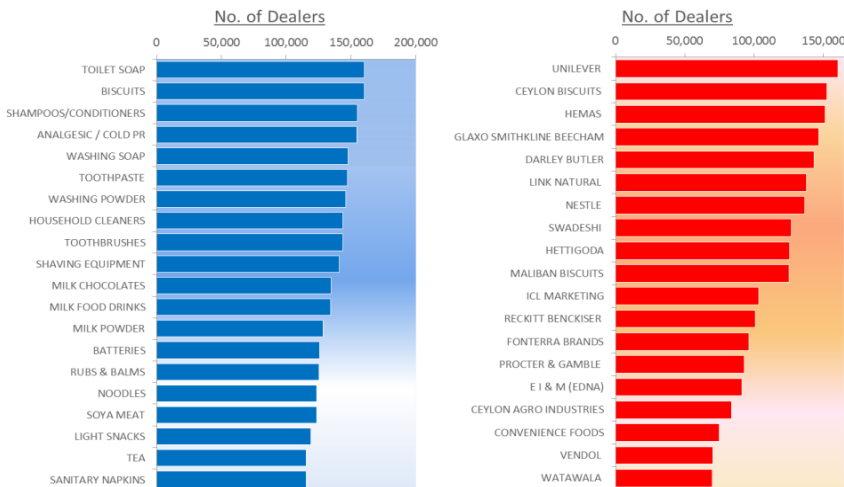
### Annexure 3: Media habits



### Annexure 4: Distribution top categories and companies

#### DISTRIBUTION: TOP CATEGORIES & COMPANIES

Categories & companies with highest numeric distribution reach 100K+ retailers



Source: Nielsen General Trade RMS Data, EXCL. Northern Province; Period Dec 2015



# **A Business Transformational Journey of a Sri Lankan Entrepreneur in the VUCA World: From Internet Services to Artificial Intelligence**

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## ***Preface***

*Change is the only constant. Businesses are constantly challenged to adjust dynamically as it has less or no control over the environment it operates in. Making long-term plans and identifying the activities and resources required to carry them out is what strategy is all about. In today's Volatile, Unpredictable, Complex, and Ambiguous (VUCA) world, such a basic definition of strategy does not hold ground. Here is the story of a Sri Lankan tech firm that went through a transformation after transformation and managed to stay afloat through sheer perseverance. The leadership of this company was very clear about what should never change and what should be open for change amidst the VUCA environment it operated in. Adaptability, Innovation, principles of meritocracy and long-term vision are crafted within the framework of “Core Ideology” which remains constant to date. This company has held on to its core ideology of democratizing technology to the masses since starting out as an independent non-telco internet service provider to an artificial intelligence company that caters to large e-commerce retailers across the APAC region.*

## **Introduction**

Over a quarter of a century, we have seen various expressions in both popular business press and scholarly literature that relate to an increasing inability to grasp the world and deal with what's going on around us. Terms like disruption, Uncertainty, turbulence, dynamism, complexity, hyper-competition and flux are good examples. Here's how the journey begins, the founder of Eureka Online Private limited, Dilendra (Wimalasekera, n.d.) returns to Sri Lanka upon completing his bachelor's in economics from the College of Wooster (US) returns to Sri Lanka. Upon his return, he looks to sign up for an internet connection and to

his avail, it was not an easy endeavor. Back then the only service provider was a company by the name of Lanka Internet, which is privately-owned Internet service provider. He has to be on the waiting list for over a month to get a dial-up internet back then and he was frustrated and the cost of getting a connection was exorbitantly high. That was when he set out to form his own internet services company in 1997. The company was named Eureka Online Private Limited (Eureka). Dilendra had the vision to democratize technology to the masses by making them affordable which later become the core ideology of the company. Eureka offered internet connections at nearly 40% lesser than the competition. Companies and consumers were able to obtain a connection in just 3 days as opposed to a minimum of 3 weeks. Eureka set the stage for the rest of the players in the market to drastically reduce their installation times. Eureka eventually became the fastest-growing ISP in Sri Lanka, growing faster than the government-owned telecommunication company Sri Lanka Telecom (SLT) by the year 2000.

In 2001 broadband became available in Sri Lanka and Eureka was not offered a license to offer broadband licenses due to various reasons. The company hit a wall as the demand for dial-up internet plummeted. It was a VUCA moment, the company needed to alter its business model. The word "VUCA" has gained traction as a term to describe the different characteristics of this "uncontrollable" environment for the past several years. The acronym stands for Volatile, Uncertain, Complex and Ambiguous. There had been many explanations on this acronym and a notable one being the article published in the Harvard Business Review article by (Benette & Lemoine, 2014). Dilendra and the senior management team unanimously agreed to transform the company into an IT services company and named the company was renamed Eureka Technology Partners (ETP). This was a simple and obvious strategic choice. The Eureka technology team had the best engineers in the island who had the technical know-how of running complex ISP running on the opensource infrastructure. The reason the opensource (Open Source Initiative, n.d.) was used is to keep costs low and pass that benefit to the end-users which was part of the core DNA of the company.

ETP became the leading IT managed services provider in Sri Lanka. The company focused on delivering IT services remotely meaning through the internet and no physical visit by a technician was needed. All services other than hardware replacements were carried out remotely. Since the services did not require a physical visit ETP was able to price its services very competitively. This is once again in line with the core ideology of making world class technology available to the masses at affordable price points. Being an entrepreneur Dilendra envisioned

extending the remote tech services beyond the shores of Sri Lanka. It was a no brainer! If services can be rendered through the internet remotely the physical location was not a constraint. The Eureka team embarked on a mission to setup its global remote delivery arm. In the process, the team learned obtaining ISO 20000 (ISO/IEC , 2018) was a crucial setup to articulate the service level and quality to the business beyond the shores of Sri Lanka. ISO 20000 specifies requirements for an organization to establish, implement, maintain, and continually improve a service management system (SMS). This includes the planning, design, transition, delivery, and improvement of services to meet the service requirements and deliver value.

ETP obtained ISO 20000 certification in the year 2005 without obtaining any help from external consultants. With this certification, the company pitched to larger businesses to run remote help desk services. In the process, the company secured a larger contract from a company called UST Global. UST Global is a leading provider of end-to-end IT services and solutions for Global 1000 companies. UST Global delivers pragmatic IT solutions that allow clients to consistently achieve their most critical business objectives. UST operates in North America, Europe, Asia Pacific and India. The contract was to provide remote support for all users across different countries around the world, while remotely managing key support processes. One of the main objectives was to improve productivity by reducing incidents that interrupt business. The main goal of the remote help desk was to enable end users to reach out to a single point of contact (SPOC) for all support incidents and rely on that contact to provide a suitable resolution. At the time, UST had over 7000 desktops and servers across 15 countries. Desktop and server management consumed the bulk of IT labor costs at UST, thus an effective management strategy was needed to reduce costs and to create a more agile IT organization.

ETP delivered significant a reduction in costs and improvement in service quality through the faster resolution of incidents. By using a more effective service desk, UST's support teams were able to resolve a larger number of incidents, reducing the average resolution time by 55%. This led to an increased customer satisfaction score and a massive reduction in IT operation costs of \$28000 in just mere 3 months of engagement (Eureka MSP ). Later the company went on the win large contracts out of the US, UK and Australia. Dilendra and the senior team was realized the customer satisfaction ratings are given by end users and not the company. That led to a Eureka moment (no pun intended), the ETP think tank envisioned to start a consumer tech service targeting the consumers in the US, UK

and Canadian markets. And thus 247techies.com remote consumer tech support company was formed.

24/7 Techies used its online service model to deliver fully managed, remote tech support for its customers around the clock and sit distinguished itself from other tech service providers (such as Geek Squad, and other locally managed service providers) through cheaper prices but also by offering a more extensive range of services — including “CIO style” consultancy and advisory services for SMBs. 24/7 Techies pricing started at \$99 per undercutting rivals by as much as 50 percent. The company promised customers to access to a trained tech support professional within 60 seconds, 24/7, “no exceptions”. Its support services covered more than 100 cloud apps and “any device” — from PCs to smartphones, tablets and “mission critical servers”. 24/7 Techies obtained a Net Promotor Scores “in the 90s”, which signifies quality trust and loyalty. In the year 2012, 24/7 Techies, raised \$600k seed round funding from 500 Startups and Silicon Valley based seed fund. The round was led by Dave McClure’s to help accelerate its offerings for small and medium sized businesses. Other notable investors in the round included Rajan Anandan (VP Google India) and Shailesh Rao (VP Twitter, International Operations) and Nobel laureate Professor Mohan Munasinghe. 24/7 Techies services were marketed through online channels such as Google and Facebook Ads. Google put a stop to marketing tech support services online due to the fact that many fraudulent tech call centers from India carried out technical support scams swindling hard earned money from consumers in the US, UK, Canada and Australia.

A technical support scam is any type of telephone fraud in which a fraudster promises to give a legitimate technical support service to unwary victims, usually via cold calls. The majority of these calls are made to Microsoft Windows customers, with the caller pretending to be from Microsoft's technical help department. Typically, the fraudster will try to persuade the victim to grant remote access to their computer. After gaining remote access, the fraudster uses confidence techniques, such as utilities included in Windows and other software, to acquire the victim's trust and payment for the ostensibly "help" services. The fraudster would then steal the victim's credit card account information or encourage them to check in to their online banking account in order to receive a promised refund, only to steal even more money by stating that they are connected to a secure server and that the scammer cannot see the details. Many scams entail persuading the victim to buy pricey gift cards and then giving the scammer the card details. This ban in advertising by Online Ad platforms brought the 24/7

Techies business to a literal standstill as marketing reach was immensely curtailed for no fault on its part. However, Dilendra was determined not to give up and brainstormed with his team to find an alternate. As they as innovation is putting two things together, Dilendra converted the digital marketing team of 24/7 Techies into a digital and web analytics agency. That's when the company ReapDigital was formed. The teams' skillsets were appreciated by Google's regional teams. Eventually, Google Singapore became a client of Reapdigital. Here is a quote from Google.

*"With their experience in e-commerce they brought value to each stage of the project's life cycle. In particular, their insights into user behavior were powerful and were used to drive user engagement and sales."*

*Tania Aidrus, Country Manager - Emerging Markets, Google*

Critical to ReapDigital success was data science and the unique insights it provided to clients to maximize digital marketing returns. But building a data science team or outsourcing it is expensive, so for most brands that sell online. Data science was simply out of reach. And thus Dilendra cofounded [www.Alavi.ai](http://www.Alavi.ai). Developed using data models that were tried and tested using thousands of online campaigns, the online application is automated to significantly reduce costs and make data science accessible to almost any business or agency. Alavi, developed by ReapDigital, is the world's 1st autonomous digital marketer. It aims to disrupt the \$40Bn digital agency business. Built as a web application, Alavi is based on ReapDigital's extensive experience managing digital campaigns for B2C and B2B clients around the world. Alavi is currently live and being used by a variety of companies in their day-to-day marketing. Alavi's is targeted at companies with \$7.5Mn to \$75Mn in annual revenue who spend between \$10K to \$100K per month on digital advertising. These companies face increasing competition for keywords and ad space, which is pushing up the price of bids leading to reduced ROIs. To overcome this, sophisticated data analytics strategies need to be employed. However, to do this effectively requires a substantial investment in resources, including digital analytics experts, data scientists, data integrators, etc. As this is often prohibitively expensive, outsourcing to a digital agency is currently the only viable option. But with agencies regularly charging a 10% to 20% commission on ad spending, the pressure on campaign ROIs increases further.

**Alavi: A business model that is defensible against competition**

Alavi Business model revolves around data. Customer data gives Alavi an unbeatable edge to create defenses against the competition. The more clients Alavi onboards, the more data we gather, and that data, when analyzed, allows us to offer a better outcome to attract more potential customers to the funnel. As more and more data is collected this repeatability over time and marginalizes competition. Every customer who comes into the system rapidly improves an offering to the rest of the customers. This creates stickiness, as customers enjoy the network effects it brings in. Further from industry perspective analysts are very excited about the Marketing Analytics, AI and Automation space with customers saying they are looking to make big investments in the space. This space is hot with several enterprise focused competitors getting funded in 2019 with 8 figure investments. Alavi’s research team estimated there are 100K companies today that fall into its addressable market. With a growth rate of 17% a year that number will be 200K. Fueled by how easy it is today to set up your own online store with Shopify, etc., many existing brands have started reaching out directly to customers and not relying only on online marketplaces and their offline stores. This is a great opportunity for Alavi as they soon realize they need a professional digital marketer to improve ROI and it’s hard to find these resources. With opportunity comes great competition. There are over 7000 martech analytics companies in the space trying to address specific challenges. See below for an overview of the competition.

**Figure 1: Overview of the competition**



## **Strategic positioning**

Strategic position emerges from three distinct sources:

1. Variety based positioning: Few needs of many customers
2. Needs based positioning: Serving broad needs of few customers
3. Access based positioning: Serving broad needs of many customers in a narrow market

The strategy requires you to make trade-offs in competing to choose what not to do. Needs based positioning is used:

### **Key target: Global SMEs: Market size 100,000 brands**

Alavi's is targeted at companies with \$7.5Mn to \$75Mn in annual revenue who spend about \$10K to \$100K per month on digital advertising. These companies face increasing competition for keywords and ad space, which is pushing up the price of bids leading to reduced ROI.

### **Rationale**

1. Shorter sales cycle. Purchase decision lies within the middle level management
2. Low touch sales. No physical presence required since these are not large enterprises.
3. Competitors are always moving upwards from SME's to enterprise. Enterprise targeting companies will never move down to SME's due to their cost structures.
4. Marketing is pureplay digital and inbound. Extended reach negates the negatives of access-based positioning.

### **Trade-off**

1. High ticket value: Average \$5000 vs Alavi's \$500.

### **Fit among core activities**

Dilendra and the founding team by working for years together understand the below very clearly. Strategy is about the "deliberate" selection of "intertwined" activities that help an organization achieve a specific position in the marketplace which it operates. Deliberate refers to a conscious selection of the activities the organization intends to engage in and the one that it intends to forego. Intertwined

refers to the activities working in conjunction and reinforcing each other. Operational effectiveness is executing these activities quicker, better, or error-free than the competition. Operational effectiveness can deliver huge advantages to origination however from a competitive standpoint these best practices can be easily copied. In addition to operational effectiveness, a company must establish a strategic position it can preserve. Companies can only outperform rivals by developing and maintaining a competitive advantage. The strategy involves creating “fit” among a company’s activities. When a fit is achieved it makes the existence of each other possible. Fit has to do with how the activities in the value chain interact and reinforce one another. The 3 stakeholders play a symbiotic role in creating differentiation. They are namely the data science team, digital inbound marketing team and the external customers. External customers having an influence is unique. This where the network effects come into play. It is where the incremental, and exponential, outcomes gained by users of a platform for each and every new user that joins the platform. This drives stickiness.

### **How fit drives both competitive advantage and sustainability**

The product clearly differentiates itself from speed of delivery and price. See the comparison in table 1.

**Table 1: Alavi vs. competitors**

<b>Parameter</b>	<b>Alavi</b>	<b>Competitors</b>
Integration time	1 day	7-14 days
Go Live	Immediate	Subject to data collection
Results	In 30 days	90+ days
Price	\$500	\$1500 - \$5000
Automation	Almost similar	Almost similar

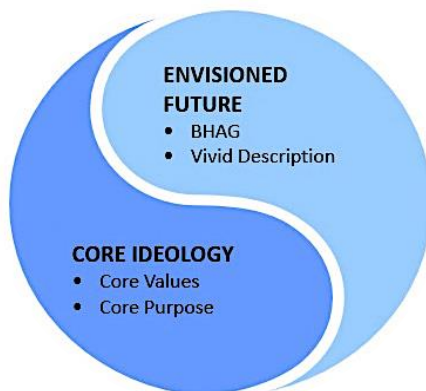
First-order fit (consistency) defines that the company’s research and development is consistent in delivering results and releasing updated engines that meet the target buyers’ demands. The results are sustainable. The company’s research and development functions make it easy for digital marketers to use the product and gain superior results in under 30 days. All stakeholders agree with the prices set by the company is uniqueness hard to match by any current competitors. The company’s second order fit occurs through reinforcement. The company has a very motivated and highly skilled inbound marketing team. The team is rated as one of the top teams in the region by Google and Facebook. The inbound team executes highly targeted campaigns to attract qualified prospects. With more customers the



engines get better. With better results, it's easy to get more customers. Third-order fit (optimization) goes beyond activity reinforcement to what Porter refers to as optimization of effort. The coordination and information across the company happen through a home grow management system which is a hybrid between Slack and other collaboration tools. The system itself has the intelligence to alert when anomalies do occur.

Alavi has been successful in managing its current core competencies smartly. At the same time, the company has acquired new ones. In this context, the company exploits its resources and explores new opportunities constantly. For a company that believes in exponential growth, Alavi has positioned itself as a low cost provider of world class Artificial intelligence based web analytics platform. Dilendra Strived to preserve the core and continued to stimulate progress amidst VUCA. Authors of Built to Last claim the motivation for change in a visionary company is internal, where conventional wisdom or philosophy takes precedent over external forces like market conditions and profit motives that force change. Visionary companies must have the confidence to set the "BHAG: big hairy audacious goals". They also instill mechanisms in place to preserve the core and stimulate progress. As advised that companies should preserve the core and continue to stimulate progress. It is critical to be very clear about what should never change and what should be open for change. In order to do that Collins and Porras suggest a framework making reference to the Yin/Yang symbol from Chinese Philosophy. The framework looks at two key broad elements the core ideology and the envisioned future and dissects them further to act as the guiding star to the organization.

**Figure 2: Core ideology and envisioned future**



**Table 2: Core ideology and envisioned future**

<p><b>Core Ideology = Core Values + Purpose</b></p> <p>The core purpose is the company's fundamental reason for existence. The core values are the essential and long lasting tenets – everlasting guiding principles that require no external justification. People should easily understand once it is stated.</p>	<p><b>Envisioned future = BHAG + Vivid Description</b></p> <p>The company should set highly challenging goals, what they term big, hairy, audacious goals (BHAGs), to align ambition and enhance team spirit.</p>
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A good vision builds on the best balance between these 2 complementary Yin-and-Yang forces. I hereby wish to link the above to the organization I represent and run. The organization's journey over the last 20+ years is mapped. The core ideology of delivering cutting-edge tech and low cost remained the key as the organization morphed as the environment changed. An ISP morphed into an AI (Alavi.ai) company today and that drives revenue.

### Organization transition timeline: Core remains intact

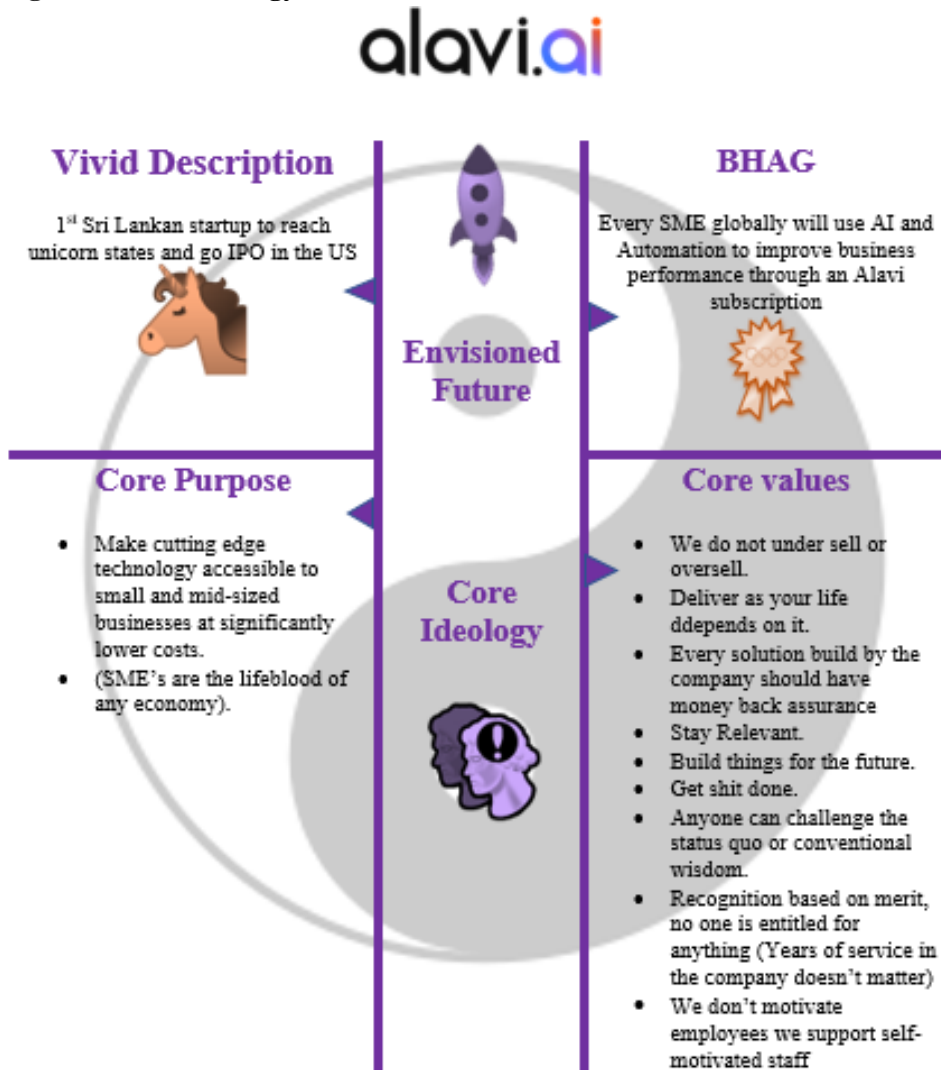
**Table 3: Organization transition timeline**

Company	Delivery	Success elements	Challenges
Eureka Technology partners founded in year 1996	Offered low latency, low cost internet connections within 24 hours. ISP completely ran on open source.	Only independent non-telco ISP to survive. Grew faster than SLT.	Government didn't offer broadband licenses. Business was at risk. Converted the company into a MSP.
Eureka managed services  Year 2000	Delivered tech support remotely in Sri Lanka at 1/3 of the cost.	Became SL's biggest MSP. Becomes world's smallest ISO 20000 certified company.	Growing the business further became a challenge due to no US presence. Used digital to global.

		1 <sup>st</sup> in Sri Lanka to win contract out of Silicon Valley US.	Reached a total new consumer audience.
24/7 Techies – US/CA/UK Consumer Tech support Year 2008	Offered consumer tech support at the 1/2 cost. Became the No. 1 remote tech company for mobile devices as per top 10 reviews ranking. Offered money back assurance for service. A+ BBB rating in the US. Raised funds from 500 Start-up seed Fund-Silicon Valley. 1 <sup>st</sup> in SL.	Got world’s highest NPS for any company. Independently verified by TNS Global. Feel in the eyes Google for exceptional digital marketing and analytics skills.	Google pushed 24/7 Techies to launch a digital service. Google promoted the company.
ReapDigital Year 2010- still active	We were the low cost, best result-oriented analytics company. Offered data science at low cost.	Two Google case studies. Eventually Google became a customer.	Raised funding from Google folks. Nobel laureate. Leading VC’s.
Alavi.ai Year 2018- still active	Launched AI powered platform to help SMEs to grow profitably using data science.	Out 3000 entrants came to the top 20 at websummit 2018 in Portugal. Featured in Entrepreneur magazine. Indian retailer.	Scaling fast across Asia. Fighting the pandemic.

Here’s how the frameworks fit into the current organization [www.alavi.ai](http://www.alavi.ai).

Figure 3: Core ideology and envisioned future of alavi.ai



Throughout the years the company has preserved the core and stimulated progress with continuous improvement and staying ahead of technology. Created cult-like cultures, evolved through experimentation, internal talent creation and promoting leaders within the organization to ensure the values are upheld and continuous improvement was achieved by achieving and beating global benchmarks. Throughout the history of visionary companies, maximizing shareholder wealth or profit maximization has not been the dominating driving force or primary goal, according to business school theory. Making money is simply one and not necessarily the most important of the goals pursued by visionary businesses. Yes,

they want to make money, but they're also guided by a fundamental ideology which is the core beliefs and a sense of purpose that goes beyond that. Surprisingly, visionary businesses make more money than the more profit-driven comparison businesses. There is no one-size-fits-all set of core values for a visionary business. Indeed, two companies with completely opposite beliefs might be visionary at the same time. A visionary company's core beliefs do not have to be "enlightened" or "humanistic," though they often are. The most important factor in determining a company's ideology is how profoundly it believes it and how consistently it lives, breathes, and displays it in all it does. Companies with vision do not ask, "What should we value?" but rather, "What do we value deeply down to our toes?".

A visionary corporation adheres to its basic idea almost fervently, changing it only rarely, if ever. A visionary company's core principles constitute a rock-solid basis that does not sway with current trends and fashions; in some cases, the core values have remained unchanged for over a century. And, like an eternal star on the horizon, the underlying mission of a visionary company or its reason for being can serve as a guiding beacon for millennia. Visionary companies, on the other hand, demonstrate a great drive for advancement that allows them to change and adapt without compromising their valued core values while maintaining their essential philosophies tightly anchored. Only individuals that "fit" incredibly well with a visionary company's basic idea and rigorous standards will find it a terrific place to work. If you work for a forward-thinking organization, you will either fit in and thrive and possibly could not be happier or you will be wiped out like a virus. It's a binary system. There is no such thing as a middle ground. It's almost cult-like in nature. Visionary businesses are so clear about what they stand for and what they want to accomplish that people who are unwilling or unable to meet their high standards are simply not welcome.

A visionary company doesn't just strike a balance between sustaining a deeply held core concept and promoting robust change and movement; it accomplishes both to the nth degree. In other words, a highly visionary organization does not wish to combine yin and yang into a grey, indistinct circle that is neither highly yin nor highly yang. Instead, it strives to be definitely yin and distinctly yang both at the same time, all of the time. Irrational? Perhaps. Rare? Yes. Difficult? Absolutely. However, as F. Scott Fitzgerald put it, "the test of a third-order intelligence is the ability to hold two opposing concepts in the mind at the same time and still function." This is precisely what visionary businesses are capable of. A core ideology which is the core values and a sense of purpose beyond just producing money is that drives and inspires individuals throughout the business and remains

relatively consistent for long periods of time, according to studies, is a vital factor in the "ticking clock" of a visionary company. The research found that visionary organizations had lofty ideals or a fundamental ideology which not just when they were successful, but also when they were fighting to stay afloat.

The core ideology of a visionary organization is a collection of basic precepts that plant a fixed stake in the ground, similar to the essential beliefs of a great nation or any other enduring institution: "This is who we are; this is what we stand for; this is what we're all about." However, the entire world is speeding up, and technology is propelling us forward. "Exponential Change" or "Exponential Growth" are two terms that describe the current state of technology; an accurate reflection when it comes to business and business technologies. Every year, hundreds of new technologies are introduced that can be used to create new goods, develop new services, improve operations, or even connect with one another. This rapid technological progress will have an impact on how business is done, as how we deal with this VUCA world and the exponential growth of processing power and resources becomes increasingly crucial. Because there are so many solutions available, "digital" technologies have become a commodity.

Whereas we think of growth in terms of linearity: a company adds more resources (money, employees, or technology), and its revenue rises as a result. Growth is commonly thought of as the definition of a successful firm. It refers to an increase in revenue as a result of being in business. It can also relate to other components of the business that are expanding, such as the number of employees, the number of offices, and the number of clients it services – all of these factors are virtually always tied to revenue growth. The major issue, though, is that ongoing expansion necessitates a large amount of resources. As a result, financial growth can only be achieved while also incurring higher losses. Companies that provide professional or managed services, such as Eureka, will constantly face this issue. Taking on new clients or continuously changing directions necessitates the hiring of talent to service them; while this raises revenue and/ or keeps the company in the business, it may also increase costs. Scaling, on the other hand, occurs when revenue increases without a significant increase in resources. Processes "that scale" are those that can be carried out in large numbers without requiring additional effort. When a company is no longer a startup but not yet a giant corporation, the distinction between growth and scaling becomes evident. At this key juncture, the company must choose between continuing to grow at a steady pace or converting to rapid corporate scaling. It must also do this without amassing a large amount of

overhead if it hopes to have a long-term impact on the sector and potentially even society as a whole.

However, recent research has revealed a few trends that CEOs should be concerned about; to begin with, two-thirds of the world's fastest-growing businesses fail. One would believe that achieving hyper-growth puts companies on a sure route to success. It does not appear to be the case. Other macro studies have found that slow-growing businesses outperform their fast-growing counterparts in the long term. This is not to say that companies should avoid striving for rapid growth, but they must do so with caution. Consider a company that goes from startup to scale up in a matter of days, what was once a small local business with approximately 50 employees in a cramped workplace is now expanding internationally. The first most obvious hurdle would be capital: in order to scale up, most of the young companies nowadays require significant funding (usually from venture capitalists). The next is scalable processes and scale-ups typically have a product that scales effectively, appealing to a much larger market than the existing one. However, because they were a startup, many of its internal processes were not meant to scale. Another area which could pose challenges during exponential growth is Culture, like we saw earlier, the culture of a startup company tends to emerge organically. Everyone is in the same room, you choose wisely, and the majority of your team shares your aims and passions. However, as you go international, this becomes much more difficult to manage. You don't have the same level of intimacy with new team members, and they can't simply feed off the current team's energy and values. As a result, scale-ups must consider their staff onboarding approach with great care. This is the optimum time to communicate the company's mission, instill fundamental values, and ensure that new hires are a good fit.

It is tempting to imagine that diversifying a company's portfolio would help it scale and grow exponentially – introduce a new product line or more services, and you'll see a surge in new revenue. However, if a company grows by ad hoc actions and judgments, such actions and decisions begin to come apart as the company grows. Small cracks will widen into chasms. Chaos will emerge from confusion and inconsistency. And there is no tangible way to create a uniform product or experience if everyone follows their own ad hoc plan. Hence, scale necessitates a high level of repeatable and predictable systems. Companies grow from thousands to millions of clients by refining and developing these systems. As the famous quote goes “In the confrontation between the stream and the rock, the stream always wins- not through strength but by perseverance”. Therefore, would Dilendra's continuous pivoting get in the way of realizing exponential growth or

have they finally discovered a repeatable scalable portfolio that would place them on the global Tech map?

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## **Pharmaco Pvt Ltd Success Story on Agile Factors in Pharmaceutical Distribution**

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### ***Preface***

*This case study describes the agility factors at Pharmaco, one of the leading pharmaceutical distributors in Gampaha district, Pharmaco is a significant and thriving key player in the pharmaceutical distribution business, Lasantha the second generation of the business shares his experience in adapting to change and being flexible with forces imbedded in Pharmaco. Agility drivers, agility providers and agility capabilities are discussed in detail in the case. Impacts of macro and micro environments and its force to be flexible and agile are analyzed with real business experiences of Pharmaco. The generational gaps, learning on agile forces are discussed in detail with the challenges faced and Pharmaco's agility model and its interdependencies with current challengers are listed for evaluation throughout the case study. Strategic re-engineering of the current business operation model is investigated as business development. However, there are pros and cons that are evaluated in the case, where further exploration is required to link agility forces prevail in the pharmaceutical distribution business.*

### **Heritage and evolution of Pharmaco's distribution**

The distribution business in Sri Lanka is said to be tough competition with minimum margins. Not every player that enters distribution survives and thrives on their business due to many internal and external challenges. Pharmaco Pvt Ltd is a distribution company that engages in pharmaceuticals which has captured the radius in Gampaha district. A heritage of 3 generations with a wealth of experience in business has strengthened the core of Pharmaco to stand strong during volatile and vulnerable situations. Mr. Lasantha, is the 2<sup>nd</sup> generation of the business, he inherited the business from his father as a pharmacy operation. At the time Pharmaco staged itself more as a pharmacy where it was a location to obtain

medicine for the locals. In the 1950's it's quite intriguing to have associated with medicine.

Pharmaco's vision was to progress in a sustainable manner, values such as trustworthiness, loyalty and humbleness and most importantly the ability to adapt, paved the way to its current level of success. When Mr. Lasantha's father, handed over the business to him it was just a pharmacy operation where mainly three drugs were imported, namely one antibiotic (Penicillin) and the rest were called Galenicals, salts and quinine powder for Malaria. Mr. Lasantha after his education at one of the Sri Lanka's renowned biggest private Christian school became a pharmacist. As an individual, Lasantha has his fair share of socializing from a younger age, where he gathered friends from sports clubs, social services like Rotaract and of course the private sector companies such as GSK and many others. Being part of such institute groomed him as well as gave him opportunities to develop a tight-knit network of friends and business partners. It was a highlight when he represented the pharmaceutical industry in the technical advisory committee under the cosmetic devices & drugs act in Sri Lanka being alongside 7 professors in the medical field.

Lasantha after taking over from his father expands the business from being a pharmacy to a distribution business. Being a pharmacist himself, he arranged for medicines and mixed at his pharmacy for mainly dermatological issues and developed a reputation for Pharmaco in the area. In 1971 with government restrictions on the importation of drugs many rivalries lost business and went bankrupt. Few players in the market sustained using the local distribution of medicines and retail supply. Lasantha was one of them who survived the storm and it resulted in an opportunity for him to work as a sales manager for Pharmaceutical Corporation, where he had to sell the drugs to doctors. He accepted the challenge and traveled to Anuradhapura, Kurunegala, etc. driving in his own car with medicine. It was a great learning curve for him in his career in identifying the pulse of his stakeholders, may it be doctors, assistants, and Pharmaceuticals Corporation itself. In 1978, he hit a milestone where Pharmaco generated significant money and became well-known in the Gampaha district, thanks to his expertise. Lasantha saw many chances in the liberal open market economy because there was less rivalry. Lasantha began importing medicines from nations such as Poland, China, and Pakistan because of the open economy. Despite numerous obstacles, Lasantha was able to pass the firm on to the third generation. Towards the end of the 1990s, competition grew fierce, and the company had to operate with

extremely low margins. Nonetheless, it continued to be a distributor to state corporations as well as multinational corporations such as GSK and others.

Lasantha represented many forums and government negotiations representing distributors. He managed to remove the duty imposed on pharmaceuticals which had a cascading effect from importer to the retailer. Another battle win for him was when, where cotton wool, bandages, plasters, and vitamins were made pharmaceuticals under CDDA where tax benefit was enjoyed not only by him but also for the other rivalry in the market. It was not merely a learning journey for Lasantha but strategic navigation of his business through internal and external factors may be positive or negative. In today's context business environment is packed with unseen, uncertain dynamic changes and businesses need to react swiftly and effectively. While agility is the center of attraction in the manufacturing industry it has now gained the attention of service industries as well. Agility is tested via many models and the scholars have contributed with their researched work to study more on agility as a competitive advantage. Lasantha despite having had much theoretical know-how, managed to incorporate flexibility into its business, leading it to success.

## **Agility forces and model for Pharmaco**

### **Agility drivers**

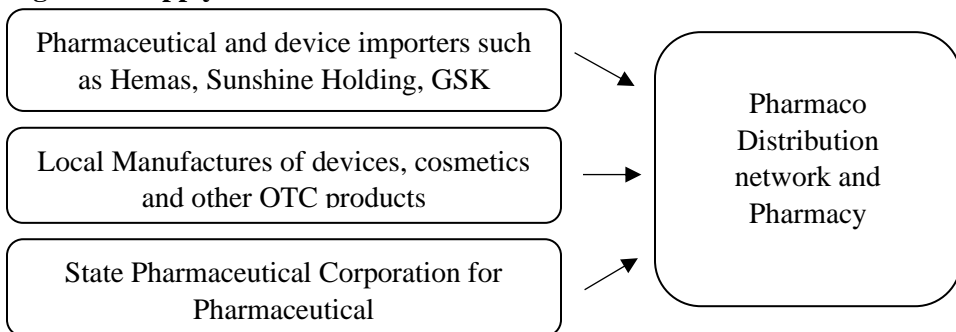
For a company operating for more than 40 years, facing many challenges and opportunities, sustainability and survival becomes a question. Ability to do adopt becomes critical and important. Agility is the ability to function and compete with a state if dynamic and continues change. As dynamics and change is involved it doesn't become an easy task due to uncertainty. Lasantha being the legend to bring the business to its current heights had few features that contributed to have agility throughout its business journey, highlighting few features. The wealth of knowledge and connections he has had helped him during his journey. To face the ups and downs in real life and business, pulsing the correct situations is critical. Having a wide range of networks helps you to identify the best solution for a given situation. Lasantha having had the opportunity to work closely with Health Ministry, renowned Doctors, social entities such as Rotaract, and sports clubs like the Tennis club made him meet a spread of different people with different intentions. The ability and capability to fit into such mass and build a connection, an individual has to have soft skills developed.

Identifying the importance, Lasantha today emphasizes that he has groomed his sons, who are now the successors of the business to maintain the same network abilities to face challenges that come their way. Networking according to Lasantha has provided him chances to be aware of things beforehand and to be proactive, giving him the opportunity to be ready. Hence he says having the right network of people has greatly assisted him to adapt to the unexpected. He says that he has seen many players in the distribution and pharmacy business but has had not had a network like his and added saying that many of them lost business halfway and also that didn't reach their full potential. Moreover, Lasantha says it's an art for networking where there is no manual. His wish is that his two sons will live up to the legacy he did making it to a world-renowned brand. A formal establishment of a relationship of mutual support and encouragement can be said to be an affiliation. According to Lasantha, he emphasizes that there is a fine line between networking and affiliation he adds on to say that affiliations are the origins that help develop networking to an individual. His affiliations with Mr. Bernard Zoysa, Pharmaceutical Traders Association, and CEO of GSK at the time, Pharmaceutical Corporation, Cosmetic Drug and Devise Authority, and member Rotarians assisted him with new avenues, overcome issues, and maximize every opportunity that came his way. When his business collapsed in 1971, due to government restrictions on importation, Lasantha made use of his retail arm and continued to improve on arranging local medicine for the people in the area. Even though he lost money he sold his private property like his vehicles and re-invested to breakeven.

Learning to listen and effectively communicate is a great art he says. At age of seventy-eight, he still challenges the status quo and close links with the sons to structure the business with a competitive edge. Effective communication according to him is a strategic weapon in the art of business, which merely touches base on the soft skill of a person. From multination to a grocery on the roadside, he says communication is used but at different scales and intentions. "I learned to make sure my voice was heard on the forums where I was seated, it's a skill" he states. Not only external communications but also internally for my employees, effective modes of communication are critical, language, tone, body language, the explanations are few areas he has noticed as success factors. On vertical integration of distribution and pharmacy business Supply Chain Partners drives agility of the business. Backward and forward integrations developed to the business of Pharmaco today and Lasantha mentioned developing a competitive advantage with a wide range of pharmaceuticals and medical equipment is a key to continuing the growth of the business. Referring to the initial days of business to date he establishes information availability via electronics has educated customers to

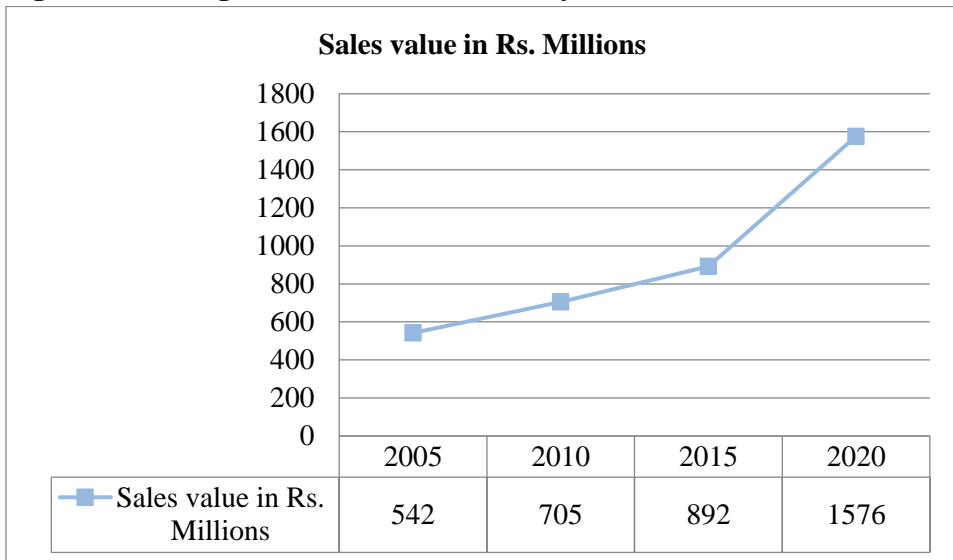
select the best product for the need. Reliability bestowed upon the pharmacist to obtain the correct medicine is now has transferred more to the consumer. He added to say as a distributor it becomes critical to confine the customer to encourage repeat purchase. As an example he states when a customer has a prescription in hand would not want to stop at two-three locations to collect the medicine, instead would prefer a chemist who is able to full fill a prescription by at least 90% if not 100%. As an agility driver the vertical Supply Chain of Pharmaco as a chemist and distributor can be depicted as below.

**Figure 1: Supply chain of Pharmaco**



*Source: Pharmaco Internal Document (2021)*

As a chemist or a distributor, Lasantha states he never felt restricted to the Gampaha district as he attempted to excel in penetrating the market efficiently. Going out of stock and overstocking are the worst outcomes for a distributor and on a daily basis balancing both has been challenging he says. To develop agility Pharmaco has gained many years of experience and capturing the right balance of driving elements such as networking, affiliations, communication, and possessing supply chain integrations has elevated his journey over the years. From being a sole proprietor to a private limited liability company of Rs 1.5 billion annual turnover, agility drivers have played a major role in shaping the business. Past sales figures of Pharmaco are depicted below for reference.

**Figure 2: Sales figures of Pharmaco over 15 years**

*Source: Pharmaco Internal Report (2021)*

### **Agility providers**

Agility providers or agility enablers are the features that stimulate adaptability throughout Pharmaco. Lasantha as the owner points out four significant elements under agility enablers and states pandemic or non-pandemic it has helped Pharmaco to reach its state today.

### **Technology**

The low margin levels as a distributor have led Pharmaco to meticulously optimize its working capital, in doing so striking a balance on current assets and liquidity has a significant impact. Having a lean operation and cost structure enables to maximize the profit of the business according to Lasantha. Technology is an enabler to tap the optimum resource levels as per Lasantha. During pandemic the technology platform enabled seamless operations to manage stock levels, collections, payments, and ordering of pharmaceuticals. Going from manual process to automation with ERP system was a nightmare and risky recalled Lasantha. There were few failed attempts on the ERP system when we first implemented it, he said. Adding on mentioned accuracy the most important element of and ERP was questioned. To be flexible, having the right technology and process is a must. Lasantha mentioned he couldn't recover some of the

investments he made on the ERP system due to their failures. It was merely the will and determination that enabled to automate the system. He says “I also feel that my sons had a great influence in selecting the right technologies for the company”.

The use of technology keeps the cost structure lean with ideal stock situations and replenishments on time, which is the key to sustain and survive in the long run. The lean cost structure helps to improve profit levels which in turn results in re-investing in Pharmaco itself. Moreover, the ERP and automation have helped Pharmaco retrieve information of past years to identify patterns and seasonal products, during raining season the antibiotic range volumes increase likewise trends are established through the ERP systems where Pharmaco has the ability to adapt swiftly to cater to the demand, providing agility. Pharmaceutical distribution industry trends in both local and foreign contexts are analyzed and read to identify any possible adaptation. Pharmaco is currently in communication with a few pharmaceutical chains in foreign countries in identifying how to improve the process to enhance the service level to end-user. Pandemic enabled end consumers to place orders via WhatsApp with a picture of the prescription and the distribution took place through technology. Location tagging, online money transfers/ e-cash, order placements were a mechanism to redefine business process mapping, where the area chemist was eliminated. On the other hand, practical issues of delivery, area of coverage, risk and unfulfilled prescriptions, the backlog of orders, were a few issues identified.

## **Leadership**

Lasantha’s experience over the years has made him a strong leader. Learning from his father, later operating on his own, developing leadership skills and observing and overlooking the business with his sons, guiding them as leaders allow Lasanatha to possess a wealth of first-hand experiences to relate to. Every situation and the instance is different he says, tools and thinking pattern as a leader changes to best suit the situation. It’s a collective effort towards success and if my way of working doesn’t pull the right stings the music I bring is not appealing and hence I’m unable to steer the ship in the right direction states Lasantha. Many companies in pharmaceutical distribution have gone bankrupt not only because of external factors but also because they failed to make the right decision at right time. Lasanatha as an entrepreneur didn’t wait for others to do the job for him, instead stood himself in reaching out for a solution. His decision to fight to make OTC items medicinal drugs with the CDDA governmental officials and politicians were

not merely beneficial for him. It was not merely the monetary benefits he was looking at; the societal impact for the end-user, that they will not pay tax on the items was the ultimate objective for him.

Pharmaceutical businesses require quick decision-making most times due to their operations and Lasantha having that background made just that to make sure his company is agile and quick in decision making. There were many times where my instinct was wrong and sometimes I learned it the hard way, he recalls an incident where with a pharmaceutical importing company he lost millions of rupees on stock investing. Emergent strategies are quite common with the dynamics of the current business world. Venturing into mask manufacturing was a result of the emergent strategy. Being a private limited company absorbing market opportunities is quite easy based on the leadership, technology, structure, and culture of the company, making it adaptable. On the other hand, it has had many failures attempting to make emergent strategies successful and some of them being seasonal in achieving supernormal profits.

### **Pharmaco culture**

Family orientation and close-knit culture have overall been a blessing to the company. Pharmaco's business culture had significantly contributed to be a large-scale distributor of pharmaceuticals and to be agile. Many scholars have defined culture and diffract perspectives such as culture can be seen as the medium of interaction with external and another way of interpretation would be a group of shared behavior, values, and beliefs that has passed on from generation to generation. Lasantha states Pharmaco has its own culture to it due to many demographics such as religion, age, education level, etc. Coming from Negambo, Lasantha being Catholic along with a major portion of his workforce relates to beliefs and norms that help work as a common team. The annual trip, celebrating Christmas and religious festivals on a grand scale have strengthened the bond of the team which in turn assists to be agile to change management.

Agility to the rules and regulations imposed by the government, may it be price controls, storage controls, or financials, Lasantha and the team accepts the challenge to execute. Lasantha states to be a better businessman you need to have ethics in the background, in his journey to success over the 40 years he states he had many chances of cutting corners, yet said I know as an individual it will not sustain. He added "I have thought from an end-consumer perspective, my earning should be decent, my end customer has to have a pleasant customer experience to



make a repeat order, therefore I maintain temperature levels in my cold rooms, make sure that the deliveries to the chemist are done as planned and adhere to regulatory requirements, end of the day, Pharmaco is my living”, he added.

Organizational culture and structure are interconnected elements in a business. Its structure has an effect on strategy execution and proper strategy-structure alignment is a determining factor for the successful implementation of the strategy. The flexibility in the structure also is a factor that contributes to organizational growth. The decision-making layers are kept to a minimum to flow information from top to bottom and bottom to up. As an organization structure with linear management, it has helped to execute actions faster than an established conglomerate. On the other hand, Pharmaco has had expertise since they took the business decision fast they went into trouble, as examples, Lasantha mentioned due to the agility in the structure they went and invested on a stock of medicine assuming that the prices will go up, however, later found the pricing was to capped with controls. Moreover, due to the agile nature, Lasantha himself along with the sons get involved in the decision-making process and in 2012, had to make the hard choice of moving out from the retail business which was at that time 5% of his business. Rationalizations are required from time to time depending on market conditions and the forces in effect, stated Lasantha.

### **Agility capability**

The purpose of having agility needs to be to fulfill customer requirements and adapt to external environment stimulations to gain business success. Pharmaco as a Chemist or distributor has had operations with both B2B and B2C operations where Lasantha is very much with the pulse of the customer. According to Lasantha, the customers of his business operations need a unique selling proposition (USP) to have a long-standing relationship. He states mainly it focuses on three main elements to the customer may it be retail or distribution, the factors are quality, speed, and cost.

### **Quality**

Pharmaco with its leadership vision, manages its operations to offer better quality products. Lasantha says that his principle is to ensure that the medicine is branded and quality irrespective of it is being supplied from multinational drug companies such as GSK, AstraZeneca, Pfizer, established manufacturers in with compliances or government-approved State Pharmaceutical corporations. To excel in this

pharmaceutical business and be agile to market needs a product basket, capturing from a high end to low end, but at certain quality levels, he emphasized. Lasantha states in retail and distribution networks Pharmaco is able to segment and capture the target audience. The certain medication he says is lifesaving and especially like vials, he says under no circumstance we let loose on regulations on temperature management. He stated backup generators are in place to have continuous electric supply and we do conduct maintenance of these generators as it is a critical factor to have our license running at the same time offer customers the quality product. Pharmaceutical additions and divestment have been part of his decision making and he states as the owner of the company, he has a free hand in deciding so and it has helped him to progress easier. He added “I sometimes feel my sons have limited opportunity to execute ideas as they have to consult themselves and me, but for me, it was quite easy as I was all by myself handling all matters”

### **Speed**

Since the layers are less in the Pharmaco structure, decision making becomes quick, even at operations levels employees are empowered and delegated to make decisions on their expertise levels. Lasantha and his operation team, even though there is as tangible product involved since there is not manufacturing, its merely the service angle that bring the core strength to the business. Hence distribution network and its operations becomes crucial success factor of Pharmaco distribution business. One day services, urgent deliveries and regular deliveries are few to name, Lasantha has categorized his business delivery process. Fleet management and maintenance with its operating costs are some factors closely looked at to keep the cost levels low and offer customer a better service in terms of a distributor. Agility nature of the business supports Pharmaco to be speed in arranging medicine to its chemist. As per the agility drivers or pillars, Lasantha recalls that there are many instances that his Chemist shifted stock levels among themselves to cater customer demand. He says it was due to the networking and human touch he had had with its business partners.

### **Cost**

From a customer perspective, cost becomes an important element, which becomes the price point for the customer under the marketing mix. As a pharmaceutical distributor, the agile nature of the business has enabled Lasantha to experiment and implement strategies easier than an established conglomerate, the family nature

and close-knit among the employees with lesser structures seamlessly allows execution. The use of technology has helped the Pharmaco distribution network to operate with minimal human resources and act fast in situations. Having a low cost in operations is one and offering products and stipulated Maximum Retail Price (MRP) is another, hence it's a fine line with ethics that enable Pharmaco to operate under laid down regulatory framework, especially on the drugs.

As a businessman, Lasantha said he is cost-conscious but added but not at the expense of quality. When working with low margins like 6% automatically you tend to identify non-value-adding activities and remove them, concentrate more on efficient implementation strategies to enhance your margins within. Lasantha states we were successful but it took some years and learned the hard way to reach up to the levels he is now, in managing his stocks. When the stocks were all manual and had no security mechanisms it was quite difficult to manage theft, but with automation and tractability, he states operations have improved reducing losses.

### **Agility and its impact to the end user**

Pharmaco being a distributor with agility in its operations allows the customers to flexibility and responsiveness. With longstanding relationships and ERP mechanisms, the chemists are able to place, amend and cancel orders in the system itself without any hassle, therefore there is convenient to the customer. With a wide range of pharmaceuticals, OTC products, vials, and medical equipment Pharmaco allows the chemists to choose between wide ranges of product baskets, may it be from a cardiovascular range, repertory range, or simple medics. Based on the forward integration of Pharmaco with its Chemist, with technology and leanest structure has the ability to communicate factor and act faster, this has helped the progress of Pharmaco and Lasantha's sons moving one step ahead had ventured into a platform where they would want to offer customers a more convenient shopping experience on pharmaceuticals. It will be an online pharmacy where they will distribute the necessary and prescribed medication to the doorstep. According to Lasantha, the sons are under discussion with a few foreign established Pharmacy range to evaluate the model. He added saying even if we adopt a mechanism to be responsive quickly to the end-user, the model may need a little more customization to the local palate.

## **Model interdependency**

Pharmaco as a company has had many milestones and pitfalls. Investment and divestment have been part and partial of the business, mostly and luckily it has been related to business investments. Lasantha as an individual who values Pharmaco's growth identifies the interrelations among many factors. He states to facilitate a functional ERP system you need to have reserves or capital to invest and that doesn't come to you, as a pharmaceutical distributor you need to work hard to earn them, keep the structures and costs lean, have ethical and industry-accepted Human Resource practices to keep the customers delighted.

Agility drivers, agility providers, and agility capabilities are interdependent, even though they can be discussed separately, hence a clear distinction becomes difficult in real-life scenarios according to Lasantha. He stated "my sons are quite capable and I feel the empires I built are in safe hands, it's their time to shine and not mine, hence I have empowered them to strategically elevate the Pharmaceutical distribution to the next level. Given market forces, agility becomes a key capability of an organization to pave its path to success, which was never easy but I'm a proud businessman today looking at the growth I have made, said Lasantha. If agility is taken as a whole there will be interlinks among the agility drivers, agility providers, and agility capabilities. It's the business that needs to determine the underlining principles to make its operations flexible. On the outside, Pharmaco can be depicted as a simple trading operation, but the elements within the business and external environment shapes and impacts the way of business, therefore to be adaptive and flexible company must be smart to identify the stimulants from the external environment and act upon to enjoy benefits of the opportunity.

## **Business challenges for Pharmaco**

Looking at the current scenario, Lasantha states that many business operations are on halt due pandemic situation. He recalls as a nation our economic situation was booming post-war with major contributions coming from tourism and leisure industries. Even though pharmaceutical and distribution becomes an essential service where there are no restrictions on his operations, he states the product range or the basket of products will change based on customers' liquidity levels. Therefore, even for a distributor, he must be able to adjust his profile to match a major portion of the external market demand adding on he said in doing so it might challenge him to establish affiliations with new partners which could be quite risky

considering financial grounds. The economic situation as a nation has worsened and it indirectly impacts financial institutions such as banks, leasing companies, interest rates, lending facilities, investor confidence in setting up their operations. My sons are planning to expand the business by entering into businesses of renowned pharmacy chains and the current economic situation is not providing a positive vibe, which means there will be a higher cost to us as a distributor when executing the plan.

Technology, the research analysis, and the level of technological advancements we are discussing today will bring massive changes to the lifestyle of everyone. QR codes, inserting chips, oral vaccines, and every equipment being micro and with electronic equipment will not be an easy task to manage. At the moment being aware and identifying the pros and cons of such technological advancements helps to cope up with the macro-environmental changes. Combining micro and macro level, the social cultures, and workforce profiles have drastically changed. Lasantha added that he clearly is able to distinguish between the workforces I had during my father's time, his time and now, it's quite complicated. Lessons of evolution and adaptability, there are several generations of X, Y, Z, and millennial working together in organizations and each of the generations has different aspirations and expectations out of life.

Customers are well educated and consumer behavior is adjusted to urban living and modern lifestyles. Social media platforms such as Facebook, Instagram, WhatsApp, Wechat, Tiktok are ruling the millennial lifestyle and aspirations. Pharmaco is a Pharmaceutical distributor, even cannot directly advertise and brand. Lasantha said commencing business via humble beginnings and being more of an old-school person it has taken a considerate time to adapt to the glamorous virtual lives. He added it will be difficult in the future where values propositions and virtues will inevitably change. Skill labor and right attitudes are scares in the Pharmaceutical distribution business. Pharmaco for many years has had high labor turnover and it was quite difficult to sustain the workforce who is passionate and has the drive to perform. Soft skills are the most difficult to embed to the staff of Pharmaco, it's with training and the right motivation that a distribution network could improve its service levels. As a businessman, I have the self-satisfaction of the work I do for the community, not only through my business but also via my social work and I want my employees to feel the same.

It's a dynamic world, hence the challengers present today may change tomorrow, what is important is to have an open mind and equip the company with contingency

and agile factors so that you are able to move with market dynamics and grasp opportunities that are both micro and macro environment present to succeed. Lasantha mentioned that giants in the tech industry such as Nokia, Sony, Kodak, and many others had to leave the battleground because they couldn't sense the future and act upon it hence a freshness to your ordinary business does no harm and every business should look up to being flexible and agile to suit cater the target segmented markets. Business strategies are both combination of planned or intended strategies and emergent strategies.

### **Future outlook of Pharmaco business**

Lasantha says that he is quite content with his achievement and adds that he envisions his sons will take the company to greater heights, in doing so he states his sons have plans to expand the business to a more customized medicine shopping, available at the customer doorstep. He states the territorial Gampaha region provides an opportunity for the majority of middle-income families to experiment with the model. He added with the Pandemic situation trial versions were conducted but states it's not the scale of business looked at for future development. First mover advantage is one of Pharmaco's objectives with the new business model. Pharmaco is collaborating with a few world-renowned Pharmaceutical distribution and chemists from Vietnam, India, and Malaysia to identify the best models that would suit Sri Lankan soil. Thinking one step ahead Lasantha states if the model works we could franchise the business models other selected distributors island-wide. On the other hand, Pharmaco fears that pharmaceutical and medical equivalent importers will be threatened by the actions and the importers could acquire the distribution companies to maintain MNC powers, cutting off the middlemen from the equation which enables supernormal profits to the importers and MNC's.

It would be a complete business process re-engineering that would take place if the Pharmaceutical drug, medical and OTC importers attempt to directly approach the end-user. Given the pandemic situation even though the importers have commenced direct delivery it has not been successful due to high transportation cost and lack of expertise. However online real-time interactive platforms can make a challenge and redesign the whole Pharmaceutical market paradigm. Pharmaco, being a corporate divulges that had invested in renewable energy sources. Having solar power energy would enable Pharmaco to support its business operation via saving cost on energy supply at the same time it will enable Pharmaco

to contribute to the national grid as well. Lasantha recalls that Pharmaco makes every small step to make the plant a better place for everyone.

As a businessman, Lasantha would like to venture into a new avenue opting for a diversification strategy. His intension now is to move into the agricultural business where organic agro products are in trend. The flexibility of Pharmaco allows Lasantha to invest in agro-business and experiment in the segment. New branding, new market segments, new business set up with perishable agro products, will present Pharmaco with new challenges to face. Currently, Pharmaco is working with many unknown factors on this new journey, from seeds to plants, workforce, magnitude of the business and equipment involved are few areas to highlight in this new journey. The set of agile factors required for agricultural business may differ and with time Pharmaco will identify those factors based on experience. Further, the networks connections and communication skills will assist Pharmaco to navigate through this new journey in the agricultural business. Lasantha has vast expertise and specialization as a businessman and it is now directed towards agro-business. It's a new beginning with a new set of stakeholders that Pharmaco has to deal with this new venture and energy needs to be channeled in the right direction.

## **Conclusion**

The macro and micro environments are dynamic and changing, the only change that is static is the change in today's context. Lasantha is the backbone behind Pharmaco's established distribution and retail trading business, as an individual Lasantha is linked with Pharmaco brand name, and as a business Pharmaco has made every effort to adapt to market forces with agile factors, based on model key agility drivers, key agility capabilities and key agility drivers. Having kept the end users' experience in mind Pharmaco has navigated its operations with a lean management and cost structure, adopting technology, and effective customized management styles within Pharmaco to reach its current state. Divestments and financial losses are few to name as challengers that Pharmaco faced. However, in the future Pharmaco expects to introduce a re-engineered business model for pharmaceutical trading business with the foundation of Pharmaco's agility factors. Moreover, as a long-term strategic investment Pharmaco is experimenting with agricultural business with organic farming.

## Teaching guide

The authors invite teachers to use this case study as a real work business case to identify agility factors that could impact the pharmaceutical distribution business. It contains how Pharmaco Pvt Ltd expanded and succeeded in its business operations on volatile grounds over a period of 40 years. The case study captures narratives of the 2<sup>nd</sup> generation of the business Mr. Lasantha and the case depicts leadership, communication, networking skills act as agility drivers, technology, leadership, Pharmaco culture, and structure supports the agility model by being agility providers as the end result in the consumers are satisfied with the quality, speedy and cost-effective service as a pharmaceutical distributor. Pre-classroom activities may include assignments that require students to analyze macro and micro environmental forces, leadership models, cultural models, and structural models that will enable change based on real-life experiences and at the same time would enable the students to propose emergent strategies based on its nature of business and is industry analysis.

## Acknowledgement

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## Abbreviations

B2B	Business-to-Business
B2C	Business-to-Consumer
CDDA	Cosmetics, Devices & Drugs Regulatory Authority
CEO	Chief Executive Officer
ERP	Enterprise Resource Planning
GSK	GlaxoSmithKline
MNC	Multination Companies
MRP	Maximum Retail Price
OTC	Over the Counter
USP	Unique Selling Proposition

**An Entrepreneurial Discovery: Transcending of ‘Nelna’ from Chicken to Mango, a Journey from Good to Great**

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***Preface***

*Nelna became a household brand for over 25 years with poultry products of high quality and about 12 years ago they made a risky decision to enter into TJC Mango cultivation which no one has done before them. They are now catering for more than 60% of the country's mango market and the revenues are growing each year significantly and which is expected to grow up until 2025 due to gradual maturing of their mango plantations. They currently have 633 acres of mango cultivation and nearly 60,000 plants. The entrepreneurial discovery process of Mango was accidental, but the venture creation ability, risk taking propensity and commitment to his passion was prominent in the journey of Mr. Nanayakkara the founder of Nelna Agro. His vision for future was to gradually groom the second generation of leadership for Nelna and his daughter Ms. Punya has taken over the burden of carrying forward the Agro venture. It was seen how Ms. Punya has adapted to the work environment coming from Australia after her higher studies. And the initial struggle she has encountered in transforming existing HR practices and developing the HRIS for formalizing the informal family culture. She is leading the transformation of Agro to be a professional and inculcating corporate culture with careful intervention in the decision making process also with an upcoming ERP implementation.*

*Nelna is smart in adopting relevant technology and finding innovative solutions to problems by their own experience. May it be fertilizer, water, irrigation, varieties of fruits or protection of fruits from pests, they have come up with sustainable solutions such as; by producing fertilizer using bio waste from poultry farms, water conservation by creating lakes to retain rain water, engineered irrigation, and searching for new technology, using carbon coated paper bags for each fruit for protection are just few of those solutions. Future prospects for Nelna Ago include a different way of thinking. Nelna Agro plans to set up an IQF facility which will enable them to produce a value-added range of products for international markets.*

*Also, a major purpose of having such a facility is that they believe they can help to reduce the current 40% post-harvest loss of production. This is a critical issue when considering not only mango but all fruits and vegetables in Sri Lanka. Further, they are already into high-value fruit cultivation in another groundbreaking project in cultivating 'Durian'. As the CEO of Nelna Agro Ms. Punya says 'Sky is the limit in agriculture' especially after Covid-19 pandemic that made every country conscious about their food security.*

### **Nelna's expedition: Discovering the Mango**

'Nelna' is a 100% local and well-established household brand name in the poultry industry (Nelna Chicken) in Sri Lanka over the last 25 years. A random, but the well-thought entrepreneurial gut feeling has made 'Nelna', Sri Lanka's largest TJC mango producer. About 12 years ago, Mr. W.G.E.G. Nanayakkara, was searching for a solution to the unutilized lands in between poultry facilities that needed to be maintained as a measure of bio-security. His inspiration came from a few well-grown mango trees in one of the farmlands. With the guidance of Mr. Tom Ellawala the founder of TJC variety of mango, 'Nelna' founder Mr. Nanayakkara has invested in TJC mango in 150 acres initially.

Mr. Nanayakkara is a pioneering entrepreneur who has a philosophy that goes beyond business where he believes that businesses are fundamentals for human service and his business ethos is to 'delight everyone we serve'. With the vision to conquer the international market while retaining the Sri Lankan identity, Nelna Group has diversified into Nelna Farm, Nelna Agro Business, Nelna Breeders, Nelna Feed Mill, and Nelna Impex. Over 1,200 employees have been provided direct employment by Nelna Group and several thousand in indirect livelihoods. Nelna Agro has cultivated 60,000 mango plants following Global Good Agricultural Practices (GGAP) standards. They have over 650 acres in Ratnapura, Monaragala Districts, and in Amapara district with the expectation to produce 10 million Mangos by 2022. Two new fruit processing factories with cutting-edge machinery and technology began to set up with the investment of Rs.1 billion to cater high-quality nutritious mangoes for Sri Lankans as well as for exports targeting UAE, Sweden, Germany, France, Singapore, and the Maldives.

Nelna Agro is one of the world's leading, juiciest mango producers and is the market leader with an estimated 60% market share in Sri Lanka. The first generation of this variety was introduced to Sri Lanka from Australia in the 1980s and subsequently developed in Sri Lanka to create this unique mango. It has an

excellent sweet flavor, low fiber content, and silky-smooth flesh. Nelna mangoes are grown with special care in carbon-coated bags to safeguard the fruits from pests and potential diseases. The TJC mango tree starts to bear fruit in three years and has a lifespan of over 20 years. TJC is the biggest mango grown in Sri Lanka weighing 500-600 grams, with some fruits growing up to a kilo. It is claimed to be the world's biggest, juiciest mango. The tree yields fruit through eight months of the year, unlike other indigenous species.

### **Exploiting the golden mango opportunity**

Sri Lanka was famous for tea, coconut, and cinnamon ever since, but never for mango. Nelna had been the pioneer in highlighting a tropical fruit from Sri Lanka. And now so many are following the footsteps of Nelna. TJC mangoes are popular in Maldives, Singapore, the Middle East, even in some countries in Europe very widely. Mango is a gift from nature to mankind. A fruit that heals, protects, and refreshes, it also comes in an infinite variety of flavors, transforming civilization via the natural alchemy of sunlight, soils, wind, rain, and temperature. The initial thinking of the founder was to cater this Golden Mango to the local market. Which they achieved success with a 60% market share at present. "My father's thinking is that he first wants to purely serve local markets, His philosophy is that he will never do anything just focusing on the export market. So it was a mix of both" says Ms. Punya Nanayakkara daughter of Mr. Nanayakkara and the CEO of the Mango sector of Nelna.

About 8 years ago they started exporting and initially market was segmented as 60% local market, 40% export. And it was a close proportion and currently, it is 50% Local and 50% Exports. This is due to not having enough volumes to export on one hand, and on the other hand, customers don't want only mangoes, but generally, importers ask for a mixed basket of fruits and vegetables. Hence Nelna does not directly export much, however, there are so many indirect exporters based in Sri Lanka who export all the fruits and vegetables and they take a lot of Nelna to produce to overseas markets.

The fruit-bearing capacity of a tree is nearly doubling every year as per the exhibits below:

**Table 1: Land extent & number of plants**

Locations	Land Extent (acres)	Total Mango Plants
Kanabediara	15	343
Thunkma	38	2,853
Higura	35	1,862
Thalawa	35	2,003
Wedipitiya	10	1,005
Wandama	500	44,020
<b>Total</b>	<b>633</b>	<b>52,086</b>

Source: Nelna Agro Reports (2020)

**Table 2: Yearly maturing of fruit bearing capacity of trees**

Age of a Tree	Number of Fruits
2 Years	0
3 Years	25
4 Years	75
5 Years	150
6 Years	250

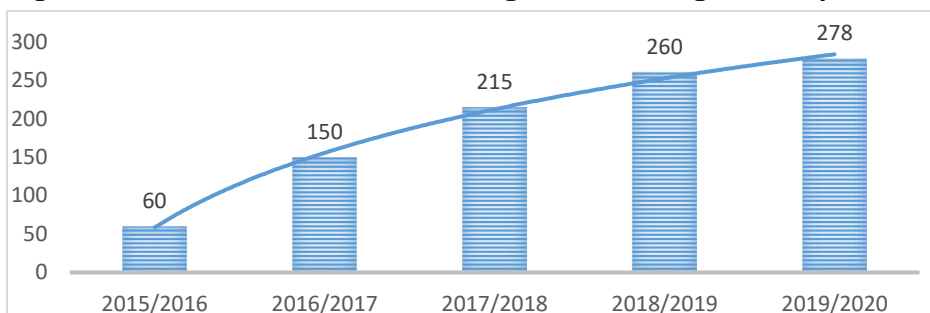
Source: Nelna Agro Reports (2020)

Last year Nelna produced 1.2 million kilos. This year targeting 1.7 million kilos. It's a gradual increase since the plantation is not fully matured yet. They'll always be a growth of harvest till about 2025.

**Table 3: Annual revenue of Nelna mango sector during last five years**

	2015/2016	2016/2017	2017/2018	2018/2019	2019/2020
Annual Revenue	60	150	215	260	278

Source: Nelna Agro Reports (2020)

**Figure 1: Annual revenue of Nelna mango sector during last five years**

*Source: Nelna Management, Authors*

Revenues of the Mango sector have shown a steady increase and it is further expected to grow during the next five years. The entrepreneurial ‘sixth sense’ of Mr. Nanayakkara has generated fruit full returns to the company which he initiated when no other competitor has invested in mango growing. This gives the first-mover advantage and also the brand recognition of the mango itself is hard to match by the completion. Customers refer to this variety of mango as ‘Nelna Mango’ instead of its generic name TJC. In the international market, the TJC mango is competing against the Indian Alphonso variety of mango and Pakistan produced Sindhri mango and sweeter mango varieties. These are however single-season mangos hence TJC has been a variety that has two seasons for a year giving a unique advantage over the competition to gain customer attention.

### **Passion or need for achievement?**

Understanding the thinking process of an entrepreneur is a complex work. His background is an important factor in making the founder who he is today. Mr. Nanayakkara was looking for jobs back in seventies and early eighties. He had worked in few poultry farms for few months as he was starting to build his life after school. However, he decides to move in to Colombo with only Rs. 25 and with no property, no money backing him, he again started to look for jobs. And due to his previous work experience in poultry farms, he again got jobs in the same industry and after few years, while he was working as the manager of a poultry farm in Awissawella area, with the support of his wife he starts a mini poultry business in his backyard. With time he expands his own business with self-generated capital. Mr. Nanayakkara studied a Diploma in Animal Husbandry and his shier experience and entrepreneurial capabilities were the backbone of his legacy.

It is the passion for work and the drive to earn some financial strength for his family of three children that was his initial thinking behind Nelna. However, with time due to his dedication and commitment to his work Nelna grew to become something much larger than he expected. His motivation is his people. He is driven by the smiles that Nelna has brought into their lives, and the way people enjoy and achieve in their own life through the work that Nelna has offered. “This is his passion and basically, he treats his employees and enjoys being, working with his team and he's so passionate about what he's doing,” says Ms. Punya Nanayakkara. Was there a Need-for-Achievement (“n Ach”) in the entrepreneur? As McClelland explains, the needs are learned or accumulated from the experience, environment, and culture. It is seen that Mr. Nanayakkara was driven by fulfilling his basic needs and gradually moved up into a position where he can take much higher risks and set goals for achievement. However, it was not prominent in the early stages of Nelna. Though he has attempted many different projects and due to various reasons some projects were abandoned too. This show continues the urge for setting difficult goals and drive for achievement.

### **Superseding Stockdale paradox?**

The story of General Stockdale is conceptualized by Jim Collins as the Stockdale Paradox. This is where one retains faith that somehow you will prevail at the end regardless of difficulties and confront the brutal facts that are in front of your day in and day out. Nelna has faced many difficulties in the journey of over two decades. “I am profusely happy that the small business that I commenced two decades ago has grown up to be a large scale business conglomerate today. The path to success was in no means an easy journey” Said Mr. Nanayakkara on his speech at the 20<sup>th</sup> anniversary celebration of Nelna. It is revealed that when he sets his mind to do something, he does not stop until he achieves it. However, in the entrepreneurial journey Mr. Nanayakkara has attempted plenty of small-scale and large-scale projects along the way. And every such project was initiated with the belief that they will succeed. Though the risk taking propensity is at higher level, he doesn't much bother about formal feasibility studies, financial forecasts and project reports. Instead he trusts his instincts. Because of these reasons there were some projects that has failed. After trying, once he realizes that the project is not going to work out, He is a person who will not dwell on it too long and he will make his move very quickly and focus on another project instead. “I wouldn't say give up instantly. He'll try, he'll try as much as possible when it comes to a certain point, maybe when he really realizes that there is no point in trying any further,

then he forgets. He closes the chapter and then he moves on to the next” Stated Ms. Punya.

On the other hand, he is goal oriented and once he sets his foot on a successful opportunity he never lets it down or deviates his path from it. This is evident in the story of TJC mango. Where it was started as a small scale pilot project and he sensed the opportunity in it and went on to invest his time and money on mango cultivation. It is important to note that just planting a mango tree would not give the return. It needed much dedication, commitment to take care of the plantation, organic fertilizer production, water supply in a very dry area and managing unskilled labour. The Nelna brand is set to create a significant impact in the agriculture industry in Sri Lanka, to introduce local agricultural brands to the International market. Just like Nelna have created a brand name for a tropical fruit in Sri Lanka, they plan to introduce similar products, fruit and vegetable items under a strong brand name. Also to capture the value added market for fruits and vegetables. Therefore, the ultimate faith on the Nelna’s success is definitely planted within the souls of the founder and his family. The brutal current realities of Covid-19 impact on consumer markets, 40% post-harvest waste, ban on fertilizer imports by the government, export restrictions to some of the prominent destinations due to quarantine requirements, environmental issues including diseases, lack of water supplies, lack of land availability, wild elephants and wild animal concerns and labour shortages are some of the challengers face by Nelna Agro division. Despite the challengers, they always come up with innovative solutions to resolve the matters. For example, in the Monaragala mango farm, Nelna Agro has set-up a fully electric fence system to keep the elephants away, a 40-acre reservoir is being built for retaining water for the plantation, and they produce their own Nelna compost to fertilize the plantation and not dependent on imported chemical fertilizer.

### **Leadership transformation to Gen Y**

It is evident by the published papers that only about 30% of family business span to the second generation, and only 10% to 15% survive to the third. The major reason highlighted as succession planning and leadership transformation. When Nelna Group was growing in size and diversified into Agro, Mr. Nanayakkara introduces his daughter Ms. Punya Nanayakkara to the business. As per accepted articles, Generation Y who is also called Millennials or Digital Natives has some known characteristics such as, they been self-confident and ambitious individuals. They grew up with technology and they are affine to the digital world. Also, they



are said to be image-driven and believe in work-life balance, and are constantly in search of challenges. Ms. Punya has completed her first degree in Australia and continued to complete her master's, having worked and lived in Australia for eight long years before coming back to Sri Lanka. She had faced many challenges since day one. As she did not have much experience in working in Sri Lankan culture and family businesses. Though she didn't expect it would be that difficult to blend in. However, the culture was closely tied up with Mr. Nanayakkara and his management team who had been there for many years. It was a family culture where CEO or CFO was called for meetings or consultations even late at night. They had close communication and not much distance. Also, it took time for her to earn the rightful place in the organization's decision-making process. In her own words: "My father didn't just get on my side and he wanted me to immerse myself in the business by learning by my own experiences. Sometimes he advised, but not always because he wanted me to learn. Making the connection with people took time, but I didn't give up". It was a hands-on learning period for Ms. Punya at the early stage in the company. It is Mr. Nanayakkara's visionary thinking that his children should learn by practically being with the local business environment, culture, and people who bought the company to the level today. And he always respected the advice given by his trusted employees.

Ms. Punya explored her options and talked with professionals before taking critical decisions. She knew that certain decisions would have been taken by her farther straightaway. However, she has been the second generation and new to the business, she had always tried to do the due diligence before taking action. Which sometimes was not well received by the management. She introduced new people to Nelna but not all were well received. It was also difficult for her to be a female due to societal limitations. For example, unlike in other countries, it wasn't an option for her to visit plantations in the middle of the night. Despite all those challenges, she has managed to learn and with time, people started believing in her. That's when cooperation started, and results are visible now. It was Ms. Punya's vision that Nelna is now in a transitional period from family business culture to corporate culture. Where she has introduced some of the corporate best practices and changes in HR processes. Which were previously managed more informally and there were many developments to be done. So she wanted to see what is being done right, what is not being done right. Hence HR was one of those areas she changed, and then IT. She started changing the ERP to a whole new system.

Though there were some HR practices such as KPIs, training, and other procedures, all of them needed to be upgraded. One can't be doing the same traditional training and the KPI setting, they needed to be upgraded as the business grows. She identified gaps in the passion and drive in their employees other than her father. Mostly the employees were task-oriented and didn't live the passion of her father. So she understood that making changes in HR practices could help employee motivation and commitment to the business and could also be aligned with the vision and mission of the organization. Nelna went on to upgrade their HR systems starting from payroll and expanding into other parts and now they have a fully systemized HRIS in the company.

The leadership of Mr. Nanayakkara can be viewed as a 'Level 5' leader who set up their successors for even greater success in the next generation as explained by Jim Collins. He has proven executive capabilities with a paradoxical mix of personal humility and professional will. He is ambitious for the betterment of his company. He has identified these needs and enabled the transformation of adopting professionalism and supporting the inculcation of the corporate culture and benchmarking industry best practices.

### **Creating culture of discipline: Family to corporate**

Nelna is a family-oriented business governed by the founder Mr. Nanayakkara and culture is typically originated with 'home and home affair' with emotions and passion dedicated to upbeat the businesses. The founder's ethos is inculcated in the culture where never give up attitude is inbuilt for all employees who are generally blue-collar workers like farmers and neighborhood communities whose utmost passion is to deliver quality products to consumers locally and globally. Mr. Nanayakkara still loves to be in the field and cherishes his time spent with his staff working in the sites more than family says Ms. Punya admitting fact that his utmost dedication has paved the way to build a well-renowned local brand.

Mr. Nanayakkara believes that the cornerstone of his success is the employees who rallied around him and manure the business with believability and perseverance. He never compromises the earnings of these dedicated staff who built this household brand and he wanted to make a better livelihood for them. Once the business gradually grew and diversified, he wanted the services of professionals where he recruited 2 business heads (GMs), production heads, finance heads to manage the emerging challenges and increased expectation of diversification. Ms. Punya emphasized that his father wanted GMs to work around the clock and there

were many instances where he called them in the mid-night to share his thoughts on any projects or areas of concern because he is a dreamer and a striver. ‘He does not believe at 8 am-5 pm culture and he wants everyone to be in walking shoes anytime anywhere’ says Ms. Punya.

Ms. Punya joined the business 6 years ago, after returning from Melbourne. She is an accretive and determined professional and has seen the best practices of global corporates. She foresees her father’s business is at a juncture that requires professional service and advice and greatly believes the sky is the limit for their business. But it wasn’t just a cakewalk and presented an upheaval task to build the real corporate setting with the current culture in place. “I have not had much experience in working in Sri Lankan culture and family businesses. I didn’t think it would be that difficult, the bottleneck was that my father believed in his employees and relied on their way.” Says Ms. Punya. Though it was a challenging task, over the recent years she realized the values that her father built around the business. Ms. Punya thinks that her father’s business is well poised to become a much bigger corporate in the future with the right culture and values. However, she reiterated that professionals are always finding gross negatives, ROIs, and analyses of risks to make judgments/decisions that prolong the decision. On the other hand, real entrepreneur like her father never looked at those calculations to make decisions. Hence she believes that professionals like her need to be business leaders with quick decision-making sense to grab the market potential. While she also understands that intuition comes with maturity and many second-generation takeovers have been failed due to them trying to practice spontaneous decision making at their early stage. She is also in the process of learning the art of entrepreneurial ‘sixth sense’ from her father. It is seen that they blend in the entrepreneurial spirit together with the corporate culture so that it would create harmony and balance between the founder and the organization. Also, she is constantly struggling to avoid a possible cultural shock. With the implementation of HRIS and upcoming ERP systems, they believe the KPI setting process, reporting deadline, standardized monitoring, timely information, and visibility into the remote factories & production and performance KPI’s with live data would change the traditional people dependent culture. And it would induce more professionalism with sustainable corporate best practices to Nelna Group in the future.

### **Adoption of carefully selected technology**

Until a few months ago, Nelna have been relying on an internally developed ERP by their IT team. They realized that internally developed ERPs are not the future because of risks. At present they are in the process of evaluating a few options including one from Microsoft and another from a local company. They continue to question themselves and explore the industry best practices especially with visits to conferences and exhibitions overseas, and traveling around the world, especially for agriculture. Even in India, which is just a few hours away, agriculture is far ahead of Sri Lanka. An Indian company is supporting Nelna to set up a processing plant. When visited a certain company in India, they inspired Nelna to set up a factory similar to theirs. The technology was seen by Mr. Nanaykara and the Indian company has volunteered to support Nelna in setting up the plant in Sri Lanka. One of the objectives of setting up this processing plant is to treat the farmers with few TJC cultivation at a fair price. And to support the post-harvest losses of fruits and vegetables. There's almost 40% post-harvest loss in Sri Lanka. The thinking behind Nelna is also that if they could collect the fruits and vegetables at the right stage, the right quality, and if they have a proper processing facility, then they can process them. Value-added items generate considerable revenue also, not just for Nelna but for everyone else along the value chain.

Although Nelna has a plan in the pipeline, it's expensive. They are looking at a technology called IQF, which stands for “individually quick freezing”. It is not yet introduced in Sri Lanka for processing pulp, juice, and dehydrated fruits and vegetables. But frozen strawberries, berries, even vegetables, and other fruits in packets are popular in overseas supermarkets. The vision is to introduce the same technology for fruits and vegetables in Sri Lanka. If Nelna has a processing option, they can preserve them. IQF provides about 1.5 to 2 years’ shelf-life. They have done the preliminary study and it is estimated to cost about 1 to 1.5 billion rupees, the reason for the hesitance is the uncertainty and the size of the business. Nelna is very concerned and mindful about adopting relevant technology. This is not just for the sake of having new technology, but with a deep sense of unadulterated excellence for its own sake and the industry as a whole.

### **Future prospects: From good to great**

Nelna Agro is in the process of understanding where they want to be in the next 5 to 10 years. Based on that, they're coming up with business strategies and business ideas. In agriculture, the sky is the limit because especially after Covid-19 they are

getting more inquiries than before. There's quite a peak in demand from export markets that can be identified in the present context. Earlier international customers wouldn't have considered buying fruits and vegetables from Sri Lanka, but now there's a huge demand as everyone is trying to secure their food sources. A few years ago, they were growing and processing mangoes, with some value additions and that was it. But now, they are also thinking about other fruits and vegetables because only mangoes are not good enough for the buyers, they request for other fruits and vegetables also. Nelna Agro has plans to expand to other fruits and vegetables, either under their plantation or by outsourcing to other farmers. Another avenue is organic food. Although Sri Lanka has not been prominent in this field, now everyone is talking about organic. Ms. Punya states "I think Nelna should also put our thinking into organic as we haven't done so far. We can do some wonders there".

In addition to processing and organic, Mr. Nanayakkara's entrepreneurial discovery process is not motionless. He is already looking at 'Durian' cultivation. 'Durian' is not a popular fruit that is being commercially cultivated in Sri Lanka, but he wants to expand it to a larger scale because it is again a high-value fruit generating more revenue in export markets. So, his thinking is that he will start, and if other people follow them, just like for mangoes, they will also be going to the market. Even the government also, after seeing these plantations and Nelna growing mangoes, went and distributed the TJC variety planting material to farmers. They went in for political reasons also, but even one or two trees are now bearing fruits. People don't know what to do with those mangoes and that's why Nelna is seeking those processing plans so that they can collect and process those mangoes while giving a fair price to the farmers. Otherwise, they will have to dump the mangoes because no exporter will source from two-tree plantations. Nelna has 60,000 trees and they are also struggling as it is not so easy to sell. One of the objectives of setting up a processing plant is also to treat the farmer with a fair price and to support the post-harvest losses of fruits and vegetables. Mr. Nanayakkara's thinking is that if they can collect the fruits and vegetables at the right stage, the right quality, and if they have a proper processing facility, then Nelna can process them. Value-added items generate considerable revenue also, not just for Nelna but for everyone else along the value chain. This is the Greatness that Nelna Agro can achieve as the market leader in Sri Lanka. Which is the 'Core ideology' of the founder and the company, which consists of core values and core purpose as to serve the nation, and go global with 'Apekama' (National) identity than just gaining financial returns. "I think if we can achieve these few things amid

the Covid-19 situation for the next five years, it will be satisfactory,” Says Ms. Punya.

### **Teaching guide**

Authors would be much obliged to invite teachers to use this real-life case story of Nelna on the knowledge scopes of entrepreneurship studies enforcing entrepreneurial discovery, Opportunity recognition, Assessment, decisions, New venture creation to New venture performance and growth, Leadership, the risk-taking propensity of entrepreneurs, Need for achievement, Passion and innovativeness characteristics. On the other hand, this case story also associates with the framework of concepts of business transformation as a process of build-up as well as leadership transformation.

Nelna is a story of a company that has made its way with building up from its core business of poultry and then transcending the course of competencies to find its way to become the country’s largest Mango producer. This is a story of a Good-to-Great company. It does show how the Level 5 leadership of the founder has impacted, how the Stockdale paradox is being dealt with, change of a curse, creating a culture of discipline and technology adoption, and most importantly how the second generation leadership is being introduced to the company. Further teaching outcomes can be drawn from their future focus thinking, which is miles ahead of the competition. Pre-class room activities could be assigned to review entrepreneurial process theories, new venture creation theories, and models. And also theories of leadership and Good-to-Great companies. This will provide an informed framework for students to get prepared and evaluate the case story with the acquired knowledge.

### **Acknowledgement**

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## **Know Your Internal Customer First Before Approaching External Customer**

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### ***Preface***

*Theodore Levitt once said in a Harvard Business Review that “short-sighted and inward-looking approach to marketing which focuses on fulfilment of immediate needs of the company rather than focusing on marketing from consumers’ point of view”. AFCP is one of a pioneer finance companies in Sri-Lanka. The company turnover gradually came down after 2015 due to macro and micro issues. In order to find solutions, the board of the AFCP decided to diversify its’ business through backward and forward integrations. As a result, the company tied-up with the SACE international brand and introduced it to Sri-Lanka for the tractor market. SACE is a world renowned brand name which has a 175-year history. It has unique features and many plus points to differentiate from the competition. Dealers were happy and motivated to sell the brand, Customers were delighted with the performance, 18% GP level was there which was financially viable to continue the business. There was no reason to fail the product in the market as all the aspects have been covered and basics were followed. However, within a one-year company senior management decided to withdraw from the authorized dealership of the brand.*

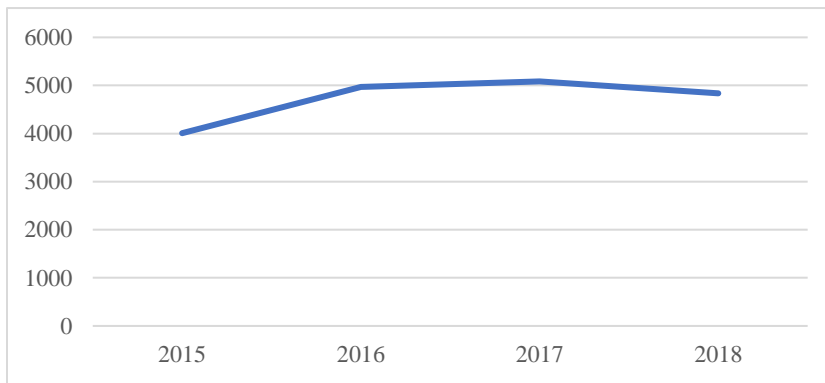
### **Know your internal customer first before approaching external customer**

It's no secret that a lot of companies are trying to win market share by winning the hearts of their customers. Most of the time, senior management and the company's board invest and allocate resources with the target of capitalizing on the market share and thriving. Or it may be also to survive in the ocean, full of sharks, and to avoid a bloodbath. Winning the heart of internal and external customers is the golden key to market success. Lack of internal coordination, focus, and communication has failed in many projects in the Sri Lankan competition.



Since independence, the Sri Lankan economy was predominantly backed by agricultural heritage and was self-sufficient to meet the demands for agricultural products. The country sailed into the open economy and made pillars of the agriculture economy shatter which paved the way to the rise of industrial and service-based industries. It was believed that farmers in Sri Lanka preferred to use traditional methods than high-tech machinery in agriculture. However, after the 1990s with the government's involvement, state of art technologies was introduced to the Sri Lankan agriculture industry.

**Figure 1: Four-wheel tractor behavior annual volumes**



*Source: Motor Traffic Department*

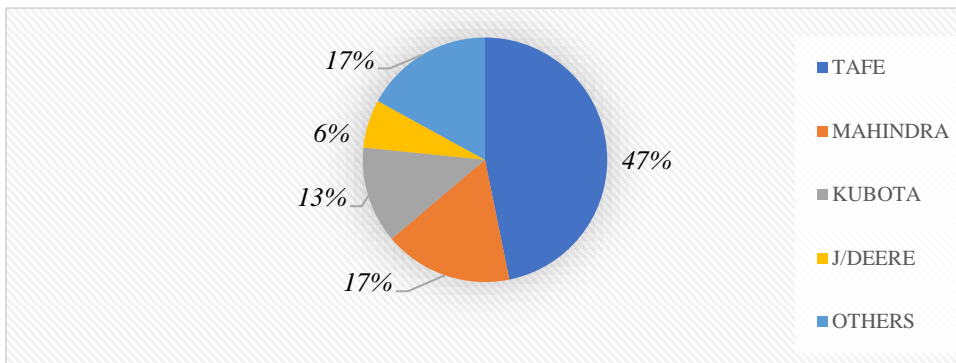
The annual target sown area was 400,000 hectares across the country, with paddy being the primary crop. The paddy land cultivation achievement for a season was predicted to be approximately 70% annually. There was a civil war in Sri Lanka from 1983 for more than 25 years and the north and east part of the country was full of violence. After the war ends in 2009, people in the north and east lands of the country also started contributing to the agriculture sector resulted in a spike in growth. Paddy production in 2019 grew notably with a bumper harvest recorded during 2018/19 (17% growth). With the growing demand for paddy and other agricultural items, the tractor requirement for the country also elevated along with the other agriculture-based machinery. The market average annual sales of tractors established around 4500 units which was a sizable market for anyone to enter.

### **Do the right thing at right time**

AFCP is one of the oldest finance companies in Sri Lanka established back in the 1950s as a licensed finance company, registered under the Central Bank of Sri Lanka. Over the years they have built a solid brand, based on the principles of trust

and integrity. For more than six decades, AFCP has been one of the few financial institutions in the country that claimed to be served four generations of Sri Lankans. The turbulent season started in the company in 2015. Turnover and profit after tax have both started declining ever since. This triggered AFCP directors to think of new avenues to develop the business. They decided to diversify the business, which has been tied to forward and backward integration, to survive in the market and compete with 42 financing companies in the country. The company has been already providing loan facilities over 275 annually for leading tractor brands such as TAFE, Mahindra, John Deer, and a few other brands. TAFE tractor was the star in the market for many years while other brands such as John Deere, Mahindra are market followers of the industry. The Board of directors deep-dived on industry parameters and observed the market wave of moving from manual to mechanical to find a big fish which can be par with TAFE. New entries in the north and east lands in the country after the war made a significant demand for tractors which also complemented the idea of marketing a tractor brand. The government monetary and fiscal policies were also favorably backed the decision on a new tractor brand.

**Figure 2: Market share analysis**



*Source: Department of Motor Traffic*

Considering the business potential in the agricultural sector and also to maximize the profit, the board of AFCP decided to invest in a tractor dealership in Sri Lanka. The plan was to penetrate profits margins from two business lines: by selling tractors and by providing finance facilities for tractor buyers. The company trusted that they could piggyback their wide network across the country, including 75 branches owned by them. It was also marked as a key strength to mitigate the cost of operation. The company was wealthy with their properties in agricultural areas such as Anuradhapura, Polonnaruwa, Kurunagala, Dambulla, and down south. Therefore, storage and space to display were not at all a concern for them. In

addition, the company's experienced finance team was an asset in launching a new tractor, as they have previously done it for other brands. \

There are two main paddy growing seasons in Sri Lanka called YALA and MAHA. In both cases, there is a wet application involved. The paddy business was not the only one that relied on dry methods of application; there were many others. The relationship between those applications and tractors has been a topic of discussion for some time. In Sri Lanka, tractors were categorized for both applications. Some are specialized only for wet applications and some are specialized only for dry applications. Farmers were facing difficulties as no tractor can cover both wet and dry applications. All these factors turned up positively towards AFCP's decision of having a dealership for a renowned tractor brand.

SACE is a world-renown brand with a proud heritage of delivering efficient and powerful tractors to customers around the world. In 1869, the first steam engine tractor was manufactured. It launched the first multiple-row sugarcane harvester in 2013. In 2016 SACE unveils the first-ever autonomous tractor prototype for the world. There are about 64,000 employees in the SACE group with a turnover of 28 billion dollars. The company is a giant in innovations, and they have invested in 53 research and development centers across the world. Their products have been spread across 180 countries.

SACE came to the picture by fulfilling the vacuum by introducing its latest tractor model which can apply for both wet and dry applications. This unmatched masterpiece comes with state-of-the-art technology and it was a game-changer in the competitive market. The product has a unique selling point that other brands could not match. The model was selling like hotcakes in Asian countries as a premium product with high margins. With the new dealership established with AFCP in Sri Lanka, principals agreed to source tractors at a special introductory price which is on par with any of the leading brands. With the five- and ten-year business plan of the new SBU in AFCP, they forecasted the revenue could reach breakeven by the second year and make a profit by the third year onwards.

### **On your mark, get set, go**

In 2018, the company finalized all terms and conditions with principals and launched the product with a fresh team hired from the tractor industry. There was a separate sales team covering 2/3 of the country, after sales team along with two mobiles service units. The organizational structure was designed with a Chief

Commercial Officer (CCO) who was reporting to the Managing Director and the board of AFCP. A massive warehouse was taken for the operation to stock and assemble tractors in Kurunegala.

The Company was able to sell a decent number of tractors in the first season itself and gave a shock to all the competitors in the market at once. The network of tractors including sales dealers and aftersales dealers accepted the SACE tractor brand immediately as it was a perfection of a tractor industry. There were repeat purchases also from some customers who were highly impressed with tractor performance. Sales dealers were happy as there were no product failures and customer complaints were zero. There wasn't any issue in parts availability also which another comfort was for dealers as most tractor parts were compatible with other brands. Many competitors were confused with the SACE market performance as they haven't experienced a new tractor brand showing such a remarkable sales performance like this in history. Selling over 100 tractors in an annum is a difficult task as the pie of the sales was limited and distributed only within a few main brands such as TAFE, Mahindra, John Deere, etc. This situation caused the market to react immediately, and competitors came with different strategies to defeat the threat. A few competitors introduce new sales commission schemes for dealers. Some competitors threatened dealers that they would withdraw the dealership if dealers continue to promote the SACE tractor. Most tractor dealers are usually multi-brand dealers where they obtain many brand dealerships under the same ownership and promote from the same outlet. With all these obstacles, SACE launched a simple and effective business plan with different strategies which assist them to position the product and the brand on top of the customer's mind.

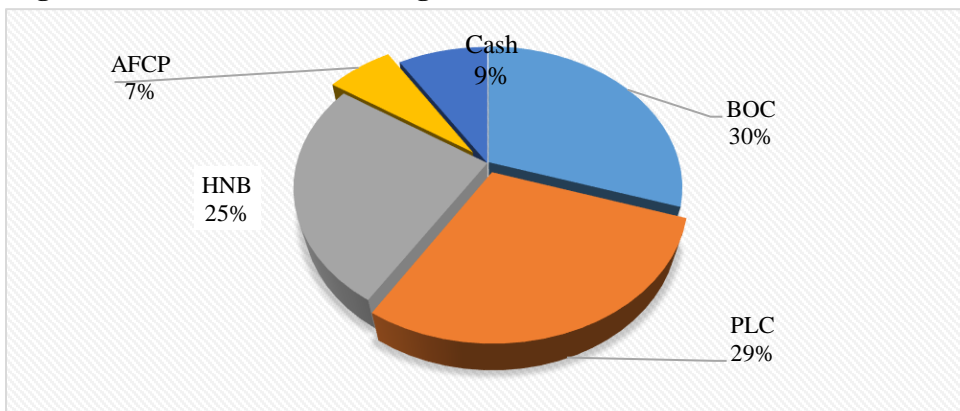
This is proven by references taken from customers who have purchased the SACE tractor repeatedly. Mr. S. Rasikaran who was a loyal and a repeated customer of John Deere tractor stated that "I have a JD (John Deere) tractor that has worked more than 3000 hours. I wanted to purchase another JD tractor and I went to meet Sajee Motors who is also a SACE authorized Dealer. The moment I saw the SACE tractor, I got attracted to its physical appearance and the state-of-the-art technology. Besides, it offered unmatched 2000hrs warranty where no other brand offered." Further Mr. Rasikaran said that "I felt that SACE tractor is very good for both wet and dry conditions. So, I bought the second tractor also. I realized that SACE tractor aftersales service is fantastic compared to other tractor services. I purchased the third one on also and started hiring it for other farmers. All my SACE tractors are running full time". By 2019, SACE was able to capture

a 2% tractor sales market share which is a remarkable achievement. Aftersales business also showed exponential progress on spare parts sales and after-sales.

### Digging your own grave

The tractor market is different from other automotive industries. It's a seasonal product and highly depends on financing. The macro-environmental aspects are directly affecting the sales of tractors at any given time. For example, it highly depends on the weather pattern of the country. If the monsoons delay, the sales pattern also reacts to it immediately. Furthermore, 90% of tractors are selling through financing facilities. Therefore, the acceptance and customer confidence of the brand in the finance industry is a must to survive in the market. One of the key reasons that AFCP engaged with the SACE brand was the same reason as they were financing competitor brands before. After one year, things started to change and works unfavorably for SACE. It is caused due to many reasons.

**Figure 3: SACE tractor financing**



*Source: Motor Traffic Department*

SACE tractor sales during the first year were financed by Bank of Ceylon, Peoples Leasing, Hatton National Bank, and AFCP with the contribution of 30%, 29%, 25%, and 7% respectively. There was 9% of cash sales also during the first year. Although AFCP is the sole agent for SACE, surprisingly the company was unable to assist in financing its own brand as the main finance partner for the SACE brand. The contribution from the AFCP Company itself was getting worse day by day. Some decisions taken by the board were not implemented at ground level. For example, the board took a firm decision that 50% of tractor sales which are given through financing facilities should be done through AFCP. However, that number turned up to be a 7% contribution from AFCP. A major contribution was coming

from other banks and finance companies. Dealers had high hopes on SACE as they had the privilege of getting their finance done through a sister company with special attention which no other competitor had. At the feasibility study, it was especially noted that having SACE tractors displayed at more than 75 AFCP branches is a clear significant advantage to compete with any other tractor brand in the country. Even though these directions came from the top, it was observed that most of the branch managers didn't adhere to those directions showcasing various reasons. This was exacerbated by the senior management reactions and instructions who are operating as a separate SBU. The SACE brand has to depend on island-wide dealers for its visibility and forget about the resource available in its own company.

Company supportive divisions such as Finance, Human Resource, Administration, and imports divisions, were common for all SBUs. The SACE should be given special attention and care than other business units as it was in incubating stage. But there was no special attention and treatment for the SACE division. Instead, the SACE division had to go through a rough period with them as they didn't have that automotive experience previously. For example, since it's a seasonal product, AFCP should be ready with the buffer inventory prior to the season. However, fund allocation for imports never happened on time. As a result, the SACE sales division went out of stock situations at the beginning of the seasons. Most of the senior division heads were in their own silos and could not understand the gravity of the operation which the SACE division has to go through with dealers and customers.

This internal battle caused the SACE brand to struggle with sales even though the brand acceptance by customers was maintained at a high level. It started reflecting from the sales output figures clearly. For example, a customer who come to a dealer's point to purchase a SACE tractor was given a different brand due to the unavailability of SACE inventory. Most dealers lost their motivation to promote SACE and were disappointed about the snail walk of the AFCP leasing arm. The SACE sales team and the AFCP leasing team had a very limited relationship. This was reflected in the inquiry follow-ups and the number of sales done through the AFCP leasing division.<sup>0</sup> The CCO convinced the board that although there was a budgeted loss expected in the first year, the division was stand-alone with a slight profit. It was evident that the internal support of other SBUs was vital for the SACE operation and action should be taken immediately. Thereafter all the issues were taken up by the senior management and addressed accordingly one by one.

Solutions were discussed and agreed upon. But unfortunately, solutions were limited to a paper and never cascaded to the ground level.

With the continued declining performance of SACE during the third year, the atmosphere was not conducive to continuing the operation. While the tractor industry showed positive growth during 2018 and 2019, AFCP decided to shut down the SACE operation and focus on the leasing and financing business. Hence, they officially announced the withdrawal of the SACE dealership. The assembly plant located at Kurunegala was closed down and relocated in Anuradhapura with minimum manpower. Most of the sales team members were asked to leave the organization. By end of 2019, the operation was shut down and the dealership was taken over by a different business conglomerate.

## **Conclusion**

One might think that how would a world-renown brand fail within a shorter period like within eighteen months. Well...How SACE tractor business operation performed in Sri Lanka backed by a well-established pioneer finance company AFCP, clears that doubt with proof. Introducing a new product to the market is an art. There is a systematic way that a company should look at inventing a business model which suits. Mainly Customer value proposition, profit formula, and key resources and processes should be looked at initially. AFCP probably focused on the first two elements, but not the third one. Laying the foundation from the company's internal customers' is a must. Resource allocation (right person to the right job), communication rules, norms designing, product development, sourcing, manufacturing, making, hiring are some of the processes that a company should look for a new brand. It's noteworthy to carve out learnings by deep diving into granular levels and to understand how easy a business can go wrong when fundamentals are not fit together.

## **Thinking guide**

When a new business is commenced, it's natural to assess strengths, weaknesses, opportunities, and threats and strategize the go-to-market plan accordingly. It's fundamental and a key to having your house right before focusing on outside elements. Sometimes these internal elements are taken lightly and granted considering it's under control. But it's amazing to see how powerful these internal factors become major obstacles and resistance if you don't pay attention to the detail. Deciding at the right time is also important to make a business a success. Brand acceptability, stability, customer confidence, market demands are some of

the key elements considered to formulate the strategy, but this is where stakeholders may mislead and oversight internal nitty-gritty. At the execution phase, everyone looks at the outside but the time bomb inside the organization is ticking. All the focus and attention go to the drama on the stage, but the critical factor happens at the back of the stage. Sometimes it takes time to realize what went wrong and how it should be corrected. “Better Late than Never” reminds us that there is always a second chance. Here the utmost important thing to learn is strategy corrections and repeat execution require the top management blessings and ground-level acceptance. If these two ends do not rhyme together, the disaster continues.

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## **Outsourcing of Upstream Supply Chain Management: Success Story of Fast-Food Restaurant Operator in Saudi Arabia**

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### ***Preface***

*Management of upstream and downstream supply chain functions in modern organizations involves decision making for the complete process of inbound, manufacturing and distribution of goods and services in the marketing function with a view to maximize value and minimize cost. A growing awareness that competitive advantage comes from the delivery process as much as from the product has been instrumental in upgrading the supply chain from its traditional back of the house function to a strategic boardroom function. It was noted that few reasons have been proposed to explain this trend. There is in fact a growing need to be more responsive to customer service and market demand. As an integrative concept that cuts across the traditional functions of the business supply chain can deliver better customer service, supply chain activities involve a large commitment of capital, and the supply chain function can be the key facilitator in the cross-functional effort towards supply chain integration to organization's value chain. Hence it is not surprising that concepts such as supply-chain management have now claimed strategic importance. Before moving into any strategic decision of outsourcing of supply chain activities to manage them effectively and efficiently an organization can consider few options such as can the activities be done in-house, can the company own a subsidiary or buy a logistics company and finally it can outsource the functions and buy the services from an existing supply chain management company.*

*Currently, a growing interest in the option of outsourcing, buying the service from a well-equipped facilitator, as we look at many writings done by most researchers on outsourcing have been indicated by the volume of writings on the subject in scholarly journals, trade publications and popular magazines. Although its evolution is "one of the most widely discussed contemporary topics in the field of business logistics & supply chain", efforts to organize them and put them in a broad-based body of knowledge have so far been rather limited. Most of the publications in the area either focus on specific aspects of third-party logistics or are narrow in their scope and objectives. Outsourcing, third-party logistics &*

*supply chain management and contract logistics generally mean the same thing. It is in fact multiple logistics services provided by a single vendor on a contractual basis such as warehousing, inventory management, order processing, materials handling, transportation, packaging, sourcing, distribution to last mile delivery, and many other value additions such as labelling, pick and pack operation and many more. Third party service providers offer “at least two services that are bundled and combined, with a single point of accountability using distinct information systems that are dedicated to and integral to the logistics and supply chain process. Sometimes the service can be one of any mentioned above such as only warehousing and limited to one type of service.*

*Supply chain functions traditionally handled by the firms internally as support functions and are considered outsourcing for more focus towards organization’s core business activities. However, the need for developing sustainable competitive advantage, the growing emphasis on providing good customer service effectively and efficiently, and the strategic value of focusing on core businesses and re-engineering resulted in the evolution of contract logistics and supply chain management which is very different from traditional logistics. Responding to customer demand, channelling those demands with a number of distributors and retailers to effect deliveries to meet end needs of customers determines ways to satisfy the demand. Information shared between and amongst all stakeholders in the supply chain can help sustain supply chain function while outsourcing supply chain functions to an expert in the market. Quick Service Restaurants (QSR) like any other industry has gone into various changes since the past two decades specially with technological advancement and consumers eating habits. When a single restaurant becomes a chain of restaurants, management of the supply chain becomes complex. The most challenging role of restaurant operation today is to have an uninterrupted supply where no stock run outs and stronger sharing of up-to-date information. The customer retention depends on availability of all menus that restaurant sells as regular customer visits for his favourite meal. When volume matters and supply chain become crucial there is a timely need for upgrade on the critical operational areas such as supply chain to ensure a smooth flow of materials and information.*

### **Service considerations and outsourcing**

Quality matters everywhere, customers expect better quality when comes to logistics and supply chain services provided by the service providers. While asserting that service should be outsourced to an organization as part of its strategic

positioning process, must choose its service solution strategy; and developing logistics and supply chain excellence is an important tool by which customer satisfaction can be achieved. Consistent service at the appropriate level is the natural output of a strategically focused, well-designed, and well-run logistics system ensuring on-time delivery in full, managing efficient stock level and least wastages are keys to the success of upstream supply chain. The logistics and supply chain system of the company can be differentiated to produce its target service level. The close relationship between integrated supply chain customer service and its effects on a firm's competitiveness dictates that companies handle their supply chain functions prudently to achieve their full potential as a source of competitive advantage. Outsourcing the function appears to be an important mechanism to realize this objective.

Many factors may act as driving forces behind the outsourcing of supply chain and logistics functions, mainly due to organizations focusing on their core business and they find supply chain and logistical functions are non-value addition and support functions. Another fact is the continued growth in global markets and foreign sourcing has placed increasing demands on the logistics function consequently, it has led to more complex supply chains and has involved more sourcing, order management, transportation, and distribution requirement in the international supply chain and logistics. Lack of specific knowledge of customs, cross-border management, and infrastructure of the importing company and the vulnerability of the products being imported as contingencies organizations are forced to acquire the expertise of third-party logistics vendors. The increasing popularity of just-in-time (JIT) principles is another major factor promoting outsourcing, with the shift to JIT delivery, inventory and logistics control have become even more crucial to manufacturing and distribution operations. The complexities and costs of operating in a JIT environment are prompting many of its potential adopters to supplement their resources and expertise by using sources outside their corporate structure. Emerging technology and the versatility of third parties as two other important drivers of outsourcing. Since it would be time-consuming and expensive to develop and implement new technologies in-house, firms can easily employ those of a third party. On the other hand, the versatility of the third parties enables them to provide an improvement in control, technology, and location, turning fixed costs into variable costs. They can reconfigure the distribution system to adjust to changing markets or technological advances (Razzaque & Sheng, 1998).

The concept of outsourcing is emerged initially for warehousing and the same later evolved over marketing, packaging, transportation distribution, import, and

exports (Richardson, 1990). It is noted that the organizations that operate as supply chain and logistics service providers can be categorized on the model they operate. Such as,

*Asset-based vendors* – Organizations that offer dedicated physical logistics & Supply Chain services primarily through the use of their assets, mostly a truck fleet or group of warehouses, or both. Many organizations provide these services either as transportation or warehousing companies, however, in some instances, a single company can provide both services together.

*Management-based vendors* – This nature of organizations involved in offering logistics and supply chain management services through systems databases and consulting services, often acting as a subcontracted traffic department, either for a part, or all, of a client's business segments. These firms do not own transportation or warehouse assets. On many occasions, these companies support industry with bringing best opportunities as they are capable of negotiating with most of logistics players in the market thus helping organization who seeks logistical supports.

*Integrated vendors* - These companies own assets, typically trucks, warehouses, or a combination of both. They are not, however, limited to using those assets, and will contract with other vendors on an as-needed basis. Generally, any industry that seeks both upstream and downstream supply chain and logistics management is more likely to tie up with these organizations as they can support raw material transportation and warehousing from the upstream side while distribution and last-mile delivery from the downstream side.

*Administration-based vendors* - Firms that mainly provide administrative management services such as freight payment. These organizations are typically into freight management where they facilitate both importers and exporters in terms of managing their cargo to be transported in the ideal mode of transportation.

### **The start-up of ABC-Saudi Arabia and its evolution**

ABC restaurant operator is an American fast-food company in Saudi Arabia, its ABC-Global company was founded in 1948 and it is the world's largest chain by revenue and serves 69 million customers daily in more than 118 countries. It has approximately 36900 outlets covering 118 countries. The ABC-Global corporation revenues are generated from their rent, royalties, and fees paid by the franchisees as well as sales in company-operated restaurants. On April 15, 1955, the first

franchise of ABC-Global opened in Des Plaines, Illinois, and in the same year launched the ABC-Global Corporation, eventually buying out the ABC-Global brothers in 1961. ABC Saudi Arabia is the Saudi Arabian franchise of the fast-food giant, which is owned by a Prince. ABC Saudi Arabia (ABC) opened its first restaurant in Riyadh, on the 8th of December in 1993. ABC manages its operations in the Central, Eastern, and Northern regions and today has 186 restaurants and over 5,153 employees to service customers. The local franchisee of ABC in KSA is a well-known international company. The organization set its sail with a single restaurant and paved the foundation to be the biggest individual chain restaurant operator in the kingdom. Critically analyzing the business needs, specially coping up with countries' social norms and cultural values since Saudi Arabia is a country where restaurants need to maintain separate access and dine-in facility for family and male customers separately. Although the current restaurant operation is similar to international yet at the beginning of the restaurant way back 20 years, all these conditions should be met by the restaurant operators. Running restaurants with local governing bodies are yet another challenge since it must go through series of verifications, certification, and approval process. Having met all requirements today ABC holds 27% of the market share from the quick services restaurant industry in the country.

### **Visionary leadership of ABC**

Prince, His Excellency, a charismatic visionary entrepreneur hailing from the Royal family of the kingdom entered the restaurant business in 1993 and despite all the odds he has developed and become the forefront of international chain restaurant operator in the kingdom which fetches the highest quality products to its local customers. Quality is something he never compromises. Nevertheless, his effort to up bring the ABC operations to this stage starting a single restaurant 28 years back and today managing 186 restaurants and his strive to further expansion is commendable. Being the second child in the family, since childhood, the enthusiasm he has developed in his mind, eventually ended up being a successful entrepreneur in the restaurant industry. Prince, His Excellency, was very keen on bringing disruptive ideas to the industry through his critical thinking and analysis. The famous quote of the prince His Highness that he has always on the tip of his tongue "learn every day something new and if there is nothing to learn and that is the end of my carrier as a CEO". Like any other CEO and being the owner of the company, he puts himself wholly in the business and ensures that the business functions smoothly. Further, he has adopted advanced technology in all aspects of the business to support operations and teams to connect wherever they are. Starting

the first restaurant in 1993 and became 8 restaurants in 1998 and opened its 100th restaurant in 2012, today it operates with 186 restaurants.

### **Execution of outsourcing**

Being a fast-food chain restaurant, the supply chain process is complex and required more visibility and accurate information in a very short time. Saudi Arabia is the largest country in the Middle East having a land occupation of 2.15 million square kilometers, managing the supply chain geographically required significant effort. When the restaurant chain is in wide-spread geography all over the country its intricate supply chain network and required the right skills and tools to manage. The upstream supply chain of ABC has its kind and undergoing a series of control and protocols set by ABC-Global and local authorities. The food supply chain is required more attention to detail when comes to safety, hygiene, cost, and end finished product. As mentioned by the CEO of the company, the company first thought of its strategic partner for its supply chain in 1998 by the time company had only 8 restaurants. It was found that supply chain becomes critical for the expansion of the business when restaurants are in the far distance to one another meanwhile key supplies are from imports and others from the regional players and very little supplies from local, this in turn impacting the customer demand if the company fails to maintain adequate stock. Thus, the company decided to choose its right partner Third Party Operator (3PL) in 1999, to manage upstream supply-side functions and pave the way to a new model of operation. Since then, ABC has 100% outsourced its upstream supply-side functions which cover procurement, vendor management, warehousing & inventory management, redistribution, demand planning, and supply planning and payables. 3PL manages a complete back-of-the-house function as a distribution center and in return, they charge a fixed commission for the purchases they do while general charges for warehousing, handling, administration, and redistribution.

ABC has both critical and multilayered supply chains which can be divided into two categories: Tier 1 and Tier 2 suppliers. Tier-1 suppliers provide processed products to distribution centers such as vegetable and chicken patties. There are approximately 40 suppliers of which 14 are core suppliers or Tier-1 suppliers. Tier-2 suppliers are rest thus 26 suppliers out of 40 which are generally growers and processors who provide lettuce, poultry products, potato, and coating system that are used for marinating and for coating of patties and chicken. Most of the Tier-2 suppliers are regional and local suppliers. The flow of products is from Tier-1 to Tier-2 suppliers for processing and then it is transferred to the distribution center through temperature-controlled refrigerated trucks. These trucks are customized

and have different compartments of various temperature zones according to the food- frozen product at - 18°C to -20°C, a chilled product from 1°C to 4°C and dry products at ambient temperature.

Initially, the upstream supply-side function was managed by an in-house team where no DC was involved and the supply happened directly to the restaurant, due to the very nature of food supply any short supply could make some finished product unavailable in the outlets. This was brought to the notice of the management, and it was found that loss of sales thus loss of customers became critical to the continuity of the business. The company has got into contracts after contracts with suppliers however the success was a difficult fact. Importantly, imports are required to be stored and warehousing requirements came into being. The warehouse requirement is threefold such as ambient, chilled, and frozen company should maintain these three-temperature controlled facilities at a single location to manage redistribution cost-effectively and short period. As per Director Supply Chain, by the time of investigating for the possibility of putting up temperature-controlled warehouses to facilitate restaurants' operations, it has been noted that huge infrastructure cost and time is taken and the resources requirements to manage were phenomenally high and to maintain a fleet of the temperature-controlled truck is yet another challenge. While considering the in-house operational model ABC had to comply with ABC-global operational instruction where the instruction was to outsource upstream supply chain management. In 1998, this exercise started, and the immediate step was to identify exactly what functions are to outsource and what will be managed by ABC and who could be the right partner to provide the required solution. By the time, supply chain management is a new concept in Saudi Arabia, and looking for an expert in this business requirement was challenging. Identifying exactly what ABC needs to do, the company decided to develop an existing temperature-controlled third-party warehouse operator to take over the entire upstream supply chain management of ABC and is expecting to grow together.

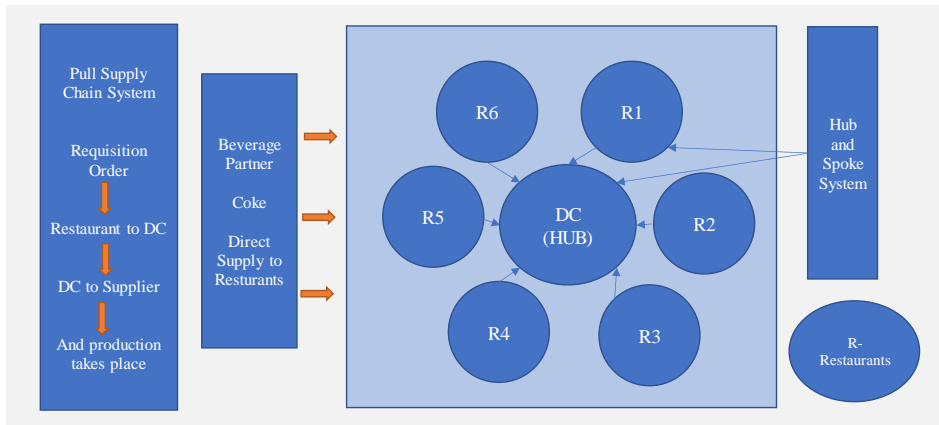
On the study of upstream supply chain side functions those need to outsource, the requirement was lined up such as storage for ambient, chilled, and frozen cargo, while the service provider should engage in strategic planning, demand planning, supply planning, and executing inventory management, sourcing and procurement, vendor management and facilitating with working capital for vendor payments for the food and non-food products are the main functions of the third-party solution provider. Further, the distribution of raw materials for all ABC's restaurants in the kingdom is also a part of the supply chain requirement. Formally, a third-party solution provider is called Distribution Center (DC) and the following is the list of

functions those DC has undertaken to perform on the upstream supply chain management for the ABC strategic planning.

01. Demand Planning
02. Supply Planning
03. Storage & Inventory Management
04. Order Management
05. Sourcing and Procurement
06. Freight Management
07. Distribution Execution and Management
08. Reporting
09. Billing

Since tied up with a third-party supply chain partner the whole management and distribution of ABC's products in Saudi Arabia are handled by 3PL. Today, 3PL manages 2 distribution centers. It also controls the movement of a refrigerated truck in the entire supply chain. 3PL manages daily activities of supply and demand, keeping tracks on working capital management, delivery time, processing lead time, payments, etc. all required item is sourced directly from 3PL. Only Coke and Bun are directly sent to the restaurant by the supplier however management of those orders is also done by DC while ensuring payables. The whole supply chain network work on two systems HUB & SPOKE SYSTEM, where Hub is the distribution center, and the SPOKE SYSTEM refers to PULL-SUPPLY CHAIN SYSTEM driven by the demand. As previously mentioned, integration of the system is essential, and the CEO of the company believes in real-time information for the effective supply-side function. Technology in SCM at ABC in Saudi Arabia is well equipped and adopted on par with the operational requirement as the business grows. The following figure 1 shows how ABC's supply-side function happens through the DC. The entire restaurants' network is connected to DC and beverage partners. Every time a replenishment requisition is raised by a restaurant which pushes a notification to the DC to act based on the nature of the supply. Except for beverages, DC manages both inventory and non-inventory items such as long shelf-life and short shelf-life such as vegetables and fruits.



**Figure 1: Supply-side function happens through the DC**

DC manages inventory in par with restaurant demand and there is a set of key performances indicators for the DC to ensure a waste-free, no stock runouts, avoidance of near expiry and managing short expiry and always maintaining 98% or above inventory accuracy. ABC makes quarterly review and by annual review, while a detailed review by each financial year on DC operations' while assessing the need for future expansion in connection to restaurant expansion. State-of-the-art warehousing must be maintained by the DC operator; systemized inventory management system with the use of a warehouse management system (WMS) is mandatory. All transactions must be computerized and the reports such as an aging report, weekly/ daily sales report (outbound to the restaurant)/ promotions report / near expiry reports / Order management report/shipments tracking report & its KPIs's, Dormant stock report, price list report, restaurants delivery schedule reports and any other reports specified by ABC but not limited to what is mentioned must be able to share by DC. Further, DC should always maintain all records for better-informed decision-making by the ABC jointly with DC.

There were great challenges in the initial stage in terms of vendor management, management of cost of purchases, physical inventory flow both supplier delivery and redistribution of processed raw materials to restaurants, communication, recording of transactions, and who do what, added by CEO. Further what price should be paid to outsourced partners and what resources should ABC have, to drive and supervise the whole process, and will the outsourcing make operation difficult and expensive. After careful analyses of both operational and financial, the first step was taken to move frozen products that have long shelf-life either one year or above while aligning vendors and logistics partners and last-mile delivery, and then chilled and ambient cargo followed the suit. It took almost six months to

one year to align all vendors with DC and gain full support for the back-of-house operation. Since then, only three employees at ABC are looking after the supply chain activities while the DC carries out all functions. Another key challenge was how the restaurant's back-of-house requisition can be integrated with DC for delivery prompts and the management of inventory replenishment of the DC itself. So that company spent on IT infrastructure that could support automation to some extent. However, by today DC uses an ERP and the same is integrated with Store Management System (STM). This year, it has been 23 years since ABC has tied up with its strategic supply chain partner. As mentioned by the CEO, the success didn't come overnight, it was the guidance given by the ABC-Global and in a series of the evaluation process and selecting the right partner. Although the complete upstream supply chain is managed by a third-party company, ABC still has the right to choose and disqualify suppliers and fix of final purchase price.

### **What lead to success?**

The success behind the successful implementation of outsourcing upstream supply chain is due to systematic alignment with the third-party company. The determination and the dedication of the senior management and the team with the guidance and the support extended by the leadership of the ABC had been a blessing and strength to this exercise. A systematic approach with several phases without hindering the flow of operation was although a challenge yet the team could overcome due to precise planning in all aspects. The progress reviews daily, weekly, and monthly had phenomenally supported the team to ensure that the whole outsourcing project was on track and helped required actions immediate. Today, the DC has a team of 35 including a general manager and a state-of-the-art facility has a capacity of over 30000 CBM and with modern shelves and racking, automated docks, and modern material handling equipment (MHE). ABC's Supply chain is handled uniquely with its supply-side partners, after having 100% outsourced its upstream supply-side functions company kept on growing its number of restaurants with an average of 7 restaurants per year. This was one of the key achievements in the successful execution of outsourcing. Further, food waste was reported 5% before the outsourcing, however the same now has been reduced to 2% with the new model of operation. Today the business is well structured, and it has set its ways of doing business seamlessly. Managing a small number of restaurants like 8 restaurants with direct supplies and the trouble ABC had to undergo still memorable, however, it was the right decision taken way back in ABC history to outsource entire upstream supply chain management to a third-party operator since then ABC could manage its expansion and while looking into

core business functions. Today, we have a strong partner, and he understands our demands and supply cycle and corporate us with all our sales promotions and marketing campaigns while working together and standing together in all our planning and execution. ABC proudly speaks about the decision they took in outsourcing upstream supply chain side function and it was the right move taken by His Highness where he could see a far distance future with his vision of expanding the business across the kingdom.

### **Acknowledgment**

CEO of the ABC Company, VP – Operations & Supply Chain, Director Supply Chain, Supply Chain Manager, Director IT, Manger IT & STM system. General Manager of 3PL, Warehouse Manager, Inventory Controller, Logistics Manager.

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**How to Do Hybrid Working Model Right? The Well-Being of  
Employees in Mind Not Only the Organizational Success: Special  
Focus on Sri Lankan IT /BPM Industry**

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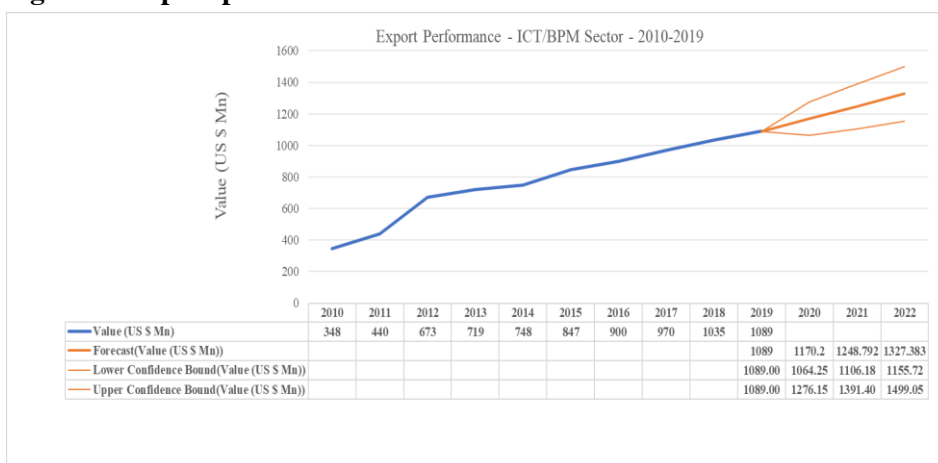
***Preface***

*When millions of people settled down from the work offices to home offices after the first wave of the corona pandemic, most executives thought it would take a considerable amount of time to go with their traditional working methods. Hiroki Hiramatsu, the Global HR at Fujitsu, said that flexible work arrangements had been their agenda long ago and could not make it realistic since most executive managers in Japan valued face-to-face interaction and extended office hours. 74% of all employees in Japan considered the office to be the best place to work. When the pandemic started, the working practices had to change according to the new normal situation. After the pandemic hits, the first focus of the policymakers is the trade-off between the health of the population and the economy. To support the economic activities in this challenging situation, many organizations worldwide have voiced their support for a hybrid working model, where people can spend part of their working hours of the week at the offices, the part at home, or remaining at co-working places or hubs. As employees settle into their new routines, they do not want to return to their office regularly. However, it creates many challenges for the companies who want to keep the employee's productivity, satisfaction, engagement, health, and well-being wherever they are working. Suppose owners/managers want to make this transition successfully. In that case, they have to design a hybrid flexible working arrangement by thinking about the employee's well-being, psychological needs, and health in mind without only concerning organizational success. With this case study, we evaluated different thoughts about the hybrid flexible working model with the Employee's perspectives, Project Managers' perspectives, Human Resources Manager', and Owner /Manager's perspectives in the IT/BPM industry in Sri Lanka. To make this hybrid model successful, companies should approach the problem from four*

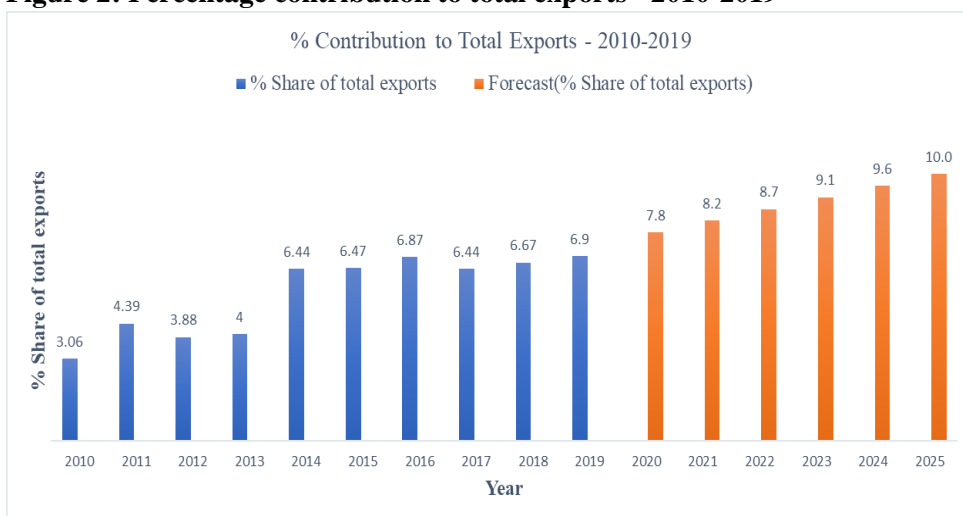
*perspectives: jobs and tasks, employee preferences, projects and workflows, and inclusion and fairness. The Action Regulation Theory gives the better theoretical aspects of this hybrid working model. It gives insight into how an organization can increase the employees' well-being effectively and efficiently to organizational success.*

### **Sri Lankan IT industry**

The ICT and BPM sector is the fourth-largest export earner in Sri Lanka, with over 600+ local and foreign ICT companies with 61% local, 22% foreign, and 17% joint venture companies. More than 80+ companies are registered as BPM companies with the mode of operation defined as 33% captive, 38% non-captive, and 29% both. ICT/BPM sector provides 12% contribution to country's service-related foreign currency in flows, 29% of contribution to service export. ICT/BPM companies are emerged as a leading destination to provide higher value addition for software product engineering, financial service outsourcing, and niche solutions embedding emerging technologies. ICT/BPM companies export software products and services to several regions, primarily North America, the EU, Australia, East Asia, the Middle East, Africa, and the Nordic Region. Sri Lanka acts as an offshore development center for fortune 500 companies in the US, Ireland, UK, Australia, Sweden, and joint ventures in Sweden, Norway, the US, and Japan. Before the pandemic started, the IT/BPO sector amounted to USD 0.848 billion foreign inflows only from the US A and UK markets. Export Development Board (EDB) explained in the export performance report ICT/BPM earned more than 1.089 USD in 2019, and the forecasted upper confidence value would be more than 1.5 USD billion in 2022. ICT/BPM sector contributed more than 6.9% in 2019 to the total export, and it will be increased up to 10% in 2025.

**Figure 1: Export performance ICT/BPM -2010-2019**

Source: EDB-Export Performance Data

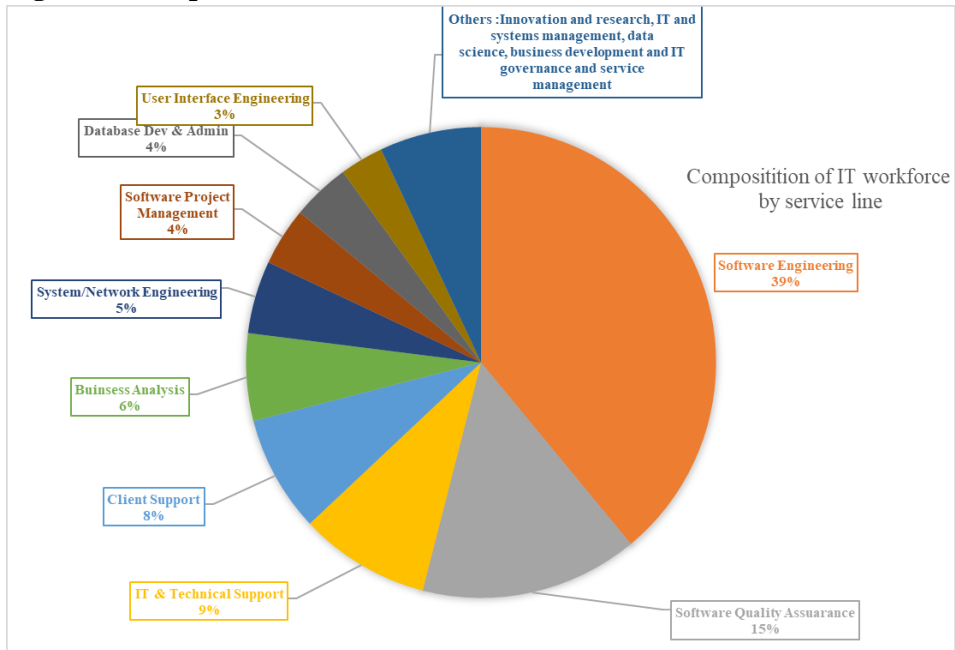
**Figure 2: Percentage contribution to total exports - 2010-2019**

Source: Export Performance Data

ICTA report published in 2019 mentioned that the ICT workforce in Sri Lanka was 82854 in 2014; it reached more than 146,089 employees in 2019. Compared with the 2014 workforce data, it achieved 50.7% growth during the period 2010-2014. After 2014 it has reported 14.4% of CAGR, and that figure also represented moderate growth considering the global and domestic economic condition. After analyzing the workforce data, 66% represent male employees, and 34% represent female employees, and the majority of the workforce is currently involved in

higher value addition work with women's participation. Women's participation is steadily increased throughout the period.

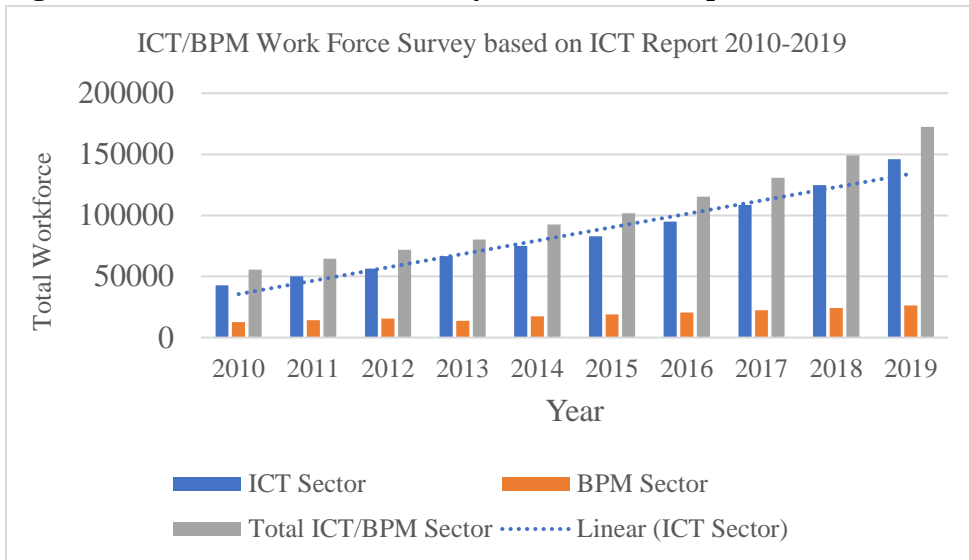
**Figure 3: Composition of IT workforce**



Source: Sri Lanka IT-BPM Industry State of the Industry (2019)

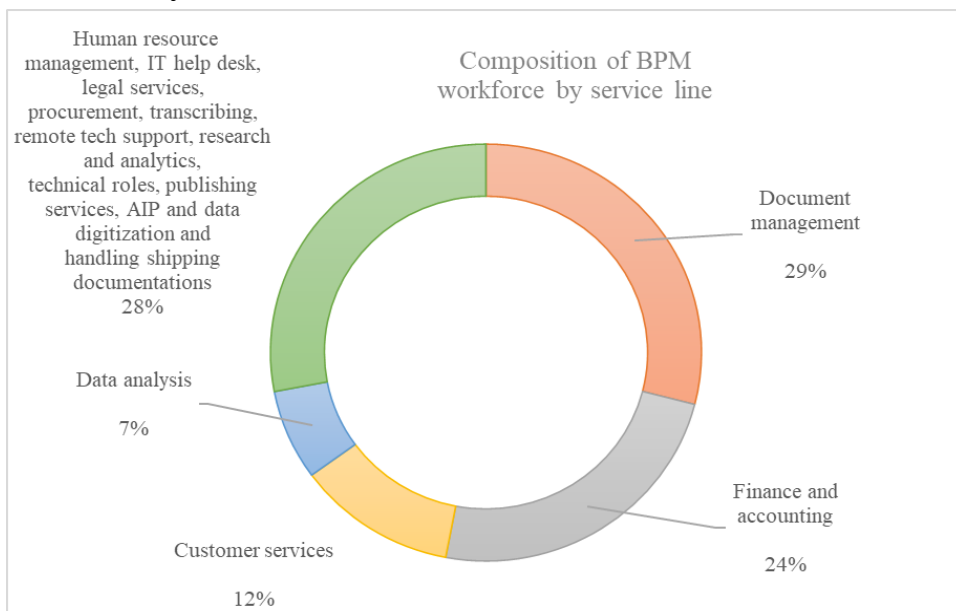
BPM workforce of the country has increased from 11,384 in 2010, 17,457 in 2014, and more than 25000 employees in 2018. These figures represented a slight acceleration of growth compared to 2010-2013 with a CAGR value of 8.62%. The total ICT / BPM workforce increased 55,571 in 2010, and it has increased up to more than 172438 in 2019. According to ICTA workforce prediction in the ICT industry, it will reach more than 200 000 workforces by 2022.

**Figure 3: ICT/BPM work force survey based on ICT Report 2010-2019**



Source: ICTA report and SLASSCOM Report

**Figure 4: Composition of BPM workforce by service line (Sri Lanka IT-BPM industry)**



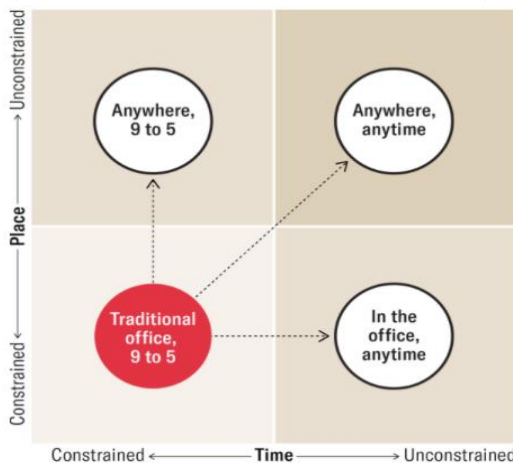
Source: State of the Industry 2019/20



## Hybrid working arrangement: Work arrangement in place and time

To design a hybrid flexible working model properly, companies should consider the two main dimensions: place and time. Earlier, all the employees worked in a specific arrangement like a traditional office from 9 am-5 pm, with a limited flexible environment. When the pandemic started, organizations shifted from unconstrained time and unconstrained places like anywhere anytime working culture. Then again, when the pandemic has been normalized, organizations are moved from an unconstrained place, i.e., anywhere but in a specific period such as from 9 am-5 pm or in the office at any time. To get success from this working culture, we need to identify the pros and cons of this working model early as possible by evaluating voices from all corners of the industry professional.

**Figure 5: 2X2 Hybrid flexibility working**



Source: Gratton (2021)

## The voices from higher management in the IT industry

Few stories are highlighted below with this concept from a higher management perspective: Mr. Lasantha Bogoda, General Manager of DMS Software Technologies (Pvt) Ltd, Mr. Priyantha Bethmage – Managing Director of Reputed IT Company in Sri Lanka, Head of Business Development and Head of IT of Local IT organizations and Senior Manager – Technology, Multi-National Company.

Head of IT of the local IT organizations stated that *“I tried to develop this concept a long time ago before the pandemic started. Because the IT industry is different and the working culture is different, most IT guys have flexible working hours with flexible working arrangements. I tried to convince the higher management, but no one believed in working with this model. They believed that we have to maintain*

*face-to-face interactions with employees and keep an eye on their works. No one believes this concept works until the pandemic gets hit. As an industry, we did not prepare for this situation, and it was a sudden shock for all of us”. He also noted shared this “Now we gradually developed our infrastructure to support this model; we gave all the facilities for our employees, including routers, additional UPS, additional batteries for routers, dongles, comfortable chair and table and considerable amount from the annual budget to prepare a comfortable place for the work. With this arrangement, we almost cut down half of our administrative and operation costs, and we can give something extra for our employees.”*

Mr. Lasantha Bogoda and Mr. Priyantha Bethmage also highlighted the same infrastructure facilities the Head of IT highlights in the above paragraph. Most of the IT industry’s CEO/ higher managers/ owner-managers stated that they had provided the necessary equipment, including proper seating arrangements and additional batteries and routers for the employees. Most of them mentioned that if an employee has requested for him the home place.

*“We are following this model and continue these working practices in the future because we are highly concerned about our employee’s safety and convenience. “. Based on the assigned tasks and projects, we categorized our employees. Most of the independent employees are currently functioning 100% remotely, and the rest are working on a hybrid working model. “*

The performance of employees is highly crucial in this type of working model. Higher productivity, i.e., energy, focus, coordination, and cooperation, helps achieve higher satisfaction. All mentioned that when it comes to employees’ performance and productivity, they have not faced many difficulties measuring the same. Since the processors & tools were already in place and numbers, measure sales force, and the technical teams are measured by the completion of the tasks assigned to each individual.

Mr. Bogoda shared his ideas *“With this model; we did not notice any performance and productivity gaps since everything is monitored through the systems. All the employees assign to a project or task-based work allocation, and details are entered into a system. We monitor them by the task allocations, allocated projects, completed tasks, remaining jobs, and the number of hours they have worked. But certain teams need to visit the office since these teams need to have a collective effort to finish the projects. “*

Head of Business Development of a Local IT organization mentioned that the working concept has more positives than negatives. Since he is managing the sales

and marketing team of the organization, he said that the work is pretty straightforward. Basically, the numbers need to be achieved by the sales force, and there is no change in the goal settings of the employees. *“The current working arrangement is not a stereotype, they work on a flexible working schedule, but the tasks need to be completed in a specific period to achieve the numbers.”*

Human Resources Managers should also play an essential role in this context because managing human resources remotely or hybrid is more challenging than in a traditional working environment. Mr. Bogoda also opened up his voice regarding these challenges from a higher management perspective. The Senior Manager of the MNC mentioned that recruits need to complete specific mandatory eLearning programs that cover the Company Code of Conduct, Policies and Procedures, Health and safety measures, etc. By covering these eLearning's, the organization is trying to give the new hires an idea about the company culture, vision, mission, and goals. Most IT organizations have initiated giving hampers with essential items to the employees in isolated areas during the lockdowns. Also, they are planning to arrange some indications to recognize employees and keep the employees' morale up. Considering both positive factors, they mentioned that the hybrid model would be the most suitable for the organization's future business operation.

But in a later section, employees in executive levels and woman employees opened up their voices in a bit contradictory way. Employees are highlighted some critical human issues and challenges, which need to be addressed in the industry to succeed this model in the future.

Mr. Bogoda said, *“HR Department in the DMS is managing recruitments, onboarding, training and development and performance evaluation cycles through the system. Before the pandemic, DMS has practiced using platforms like Oracle HCM, Oracle Remote desktop manager, and many other tools. So, with the remote and hybrid working concept, we have not faced many challenges on the operational level. Specific learning cycles and certifications have become much easier since our employees no longer need to visit any institutes. The employees can remotely log in from their homes and do the certifications. The organization has formed a team to intervene if an employee faces any difficulties, and this team will support both on official and personal matters of the employees. (For an Ex. If a family member of an employee got Covid 19 positive, the team would support finding hospitals; if they were asked to quarantine at home, the team would deliver the necessary items to their homes.)”*

Mr. Priyantha Bethmage highlights the main challenges of maintaining the company culture together with the hybrid working model. Align the company vision, mission, and culture along with this model are very important; if not, that may be a massive impact in the future from a social and cultural perspective. *“We celebrate the employee’s birthdays virtually; we allocate a considerable amount of funds for those types of celebration. We asked project managers to allocate some time for the stress-out releasing activities. We did keep the team interactions, and to motivate the employees, the organizations have organized virtual gatherings, gaming sessions, and small group chat sessions.*

All the higher management highlighted that handling these sessions virtually is quite challenging in the hybrid working model. It has not focused on events with physical participation; however, they conduct some of the events virtually due to the pandemic. However, it is highlighted that the virtual events are not 100% successful like the events with physical participation. To inculcate the company culture and properly understand the organization’s vision, mission, and goals to the new hires, especially the fresh graduates. Even though fresh graduates assign to a senior employee, it is not successful in remote working environments. However, if we take an overall picture, most of the employees in the organizations prefer to work from home. The organizations are planning to have a hybrid working model in the future. They wanted to connect the employees to make a better friendly environment where they feel that the organization cares about them. Senior Manager Technology of MNC said that *“To motivate the employees, we have initiated quizzes, games, and other visual entertainment activities. Head of Each department usually conducts morning meetings every day in which the employees are briefed about the work, and they are allowed to discuss the issues they face with the tasks allocated to them. Even if the employees face any unfairness or problem, they can directly inform a committee where the issues are handled at the CEO level.”*

Mr. Bethmage highlighted few significant points as a country *“As a country, we are still not ready to accept this type of working model. The country’s infrastructures like the Internet, Fiber Optic Connections, or other smooth working conditions are still not up to the standards because of these common infrastructure issues employees have to tolerate the additional burden from their side.”* The Head of IT also highlighted some significant drawbacks of this system. He mentioned that models have a massive impact on this industry in the future. *“The only thing we missed our fresh employees, and we have stopped the new recruitments and interns because senior employees are busy with their allocated*

*workload and they do not like to take additional burden and responsibilities". He also highlighted, "As a company in this working model, we tried to maintain our company culture as long as possible. To continue the office culture, we bring 20%-50% employees on a particular day the project team-wise. We have organized some learning curve sessions to share their experiences and issues with the higher management. On that day, we try to celebrate our celebration much as we can to stress down the employees".*

Head of Business Development highlighted few negative impacts that will directly impact the future business operation with remote work concept. One major issue is that the new employees are not getting hands-on experience, and they do not get exposure from the senior employees when they perform their jobs remotely. And it isn't easy to give them a clear picture of the company culture, vision, mission, and business objectives. Also, the collaboration gaps were identified. Whereas some freshers may not have seen each other due to remote work and the team spirit is missing when it comes to working. Another thing he brought up is that the home working environment could change from person to person, which could impact an employee's performance. In contrast, one person could have a very peaceful environment while another might face difficulties concentrating on small children at home.

Mr. Bogoda and the Head of Business Development said that *"As a company, we think that physical customer interaction is also important for the long run of the business. The physical sessions will give a better picture to a customer than on a virtual platform."*

Head of Business Development has highlighted another important issue that the industry should think about as a whole. *"Our employee turnover has gone up. Due to this flexible working hour's model, employees have enough time to look for new places and virtually face interviews."* Another thing that he highlighted was that the remote customer sessions are not productive as the physical meeting sessions. As all higher managers mentioned, there is a special cost-saving with this hybrid working concept; as they mentioned, they think this might be a cost-saving model from the employer's perspective. Because earlier they rented or brought some places /apartments in an urban and suburban area, they can reduce the accommodation cost with this model. Mr. Priyantha Bethmage, Senior Manager of MNC and Head of IT in a reputed IT company, mentioned that now they are shrinking their offices' spaces to 50%. Head of IT mentioned that *"Now we are not keeping any specific rooms or desk for the employees in any level, even for the*

*senior managers. We assigned a hot desk; that desk will be allocated for employees based on their presence at the office.”*

### **The voices from female employees in the IT industry**

The model is evaluated by different employee levels in the IT industry. Unmarried female employees have negative thoughts since they enjoy their work at offices with fewer family responsibilities. One unmarried woman IT industry said that *“I am working as Associated QA Engineer at one of the reputed IT companies in Sri Lanka. I do not like this working model since this is sometimes stressful. We are constantly working in front of our laptops because we do not have much work at home. We like to wear nicely; we share quality time with our friends; earlier we went out for lunch or dinner out; we did many celebrations, prank activities with friends, we missed our gossip talks. We did those types of things to prepare our minds to work and to reduce our stress. Hence, I like to go office.”*

This model was again evaluated by the female married employees in the IT industry; she is working as an Assistant General Manager in a data center in a local IT company in Sri Lanka. She also mentioned all the positive sides highlighted by the senior managers in the previous section. She said, *“We would like to work in this model in the future. The company can also save administrative costs and operational costs. We can also save money because we do not want to spend additional money on clothes, fashion items, and shoes. We can save that money for future use or our kid’s educations. Our company priority is employee’s safety so that they have arranged the office transportation method for the employees who use the public transport. Earlier, taking the leaves for family matters was a huge burden because we had to be there during office hours. Finding an excellent helper to look after our kids or finding daycare centers was a huge problem. Now we have quality times to spend with our kids, our old parents as a family together.*

But she has highlighted some negative points related to the work assignments of the fresh graduate. She mentioned that they could not monitor how the fresh grads complete the work and their time to complete a task. She stated that Software Developers, Programmers somehow complete their work most of the time. Still, the management is not getting an idea of the steps they have followed to complete the task, whether they have completed the task by failing a couple of times by using the wrong steps, and the time they have consumed. If these fresh graduates work at the office, they get a chance to get feedback and quick steps to follow from senior staff members, but when it comes to remote work, it’s not practical calling

the seniors all the time. So, this knowledge-sharing part is lacking in remote work, which will impact future business operations since the new hires are not adequately trained.

Another thing that she has highlighted is that it is difficult to measure the mental stress of the employees. Due to these remote and hybrid working models, the company culture, vision, mission, and objectives are not fully transparent to the new hires. Another important factor she has mentioned is that being a mother; it's quite challenging for her to work from home while taking care of the house-related matters and the kids. Due to the corona pandemic, since education is also happening through online platforms, most female working mothers need to concentrate on their children's education at the same time. So she stated that time is quite a challenge to balance her children's education and office work. She highlighted that most mothers must be facing issues concentrating on office work while they are at home. However, she said that she prefers to work from home even though it is challenging since she can balance out home-office work than working full time at the office. Another thing she mentioned is that she gets more time to spend with her family and children with this remote work concept. Overall, she stated that she prefers this hybrid working concept which has more positives than negatives.

### **The voice of a fresh graduate in the IT industry**

The interviewed graduate has recently joined the IT industry, and his working experience is close to 1 year. The day he joined the organization, has started to perform his duties remotely due to the corona pandemic. He stated that he is facing some difficulties working from home as an internet connectivity issue. *“I have faced many mental and health issues while working from home because there is no proper working environment at my home. All my friends are also the same; we do not have any comfort zone in our home like our office. In the last couple of months, I did not have a proper sleep. I had to get medicine a couple of times for back and eye pains and my improper sleeping habits. We have to find solutions for the harder problem because we have to work with minimal supervision. Also, since we are unmarried, company higher management thinks we have fewer family responsibilities than married employees, so the company expects a lot of covering work from us. Sometimes, project managers assign unexpected tasks to be attended to after office or after covering my workload. My friends are facing the same issues. Also, I noticed the vast social gap with this model.”* As per him, this specific urgent work is sometimes not getting highlighted to the company's

management. For example, he said that the organization put them on a roster which is eight hours of online support, and the roster start around 4 am and finishes around noon. Even though the roster finishes around 12, if there is a team meeting or something in the evening, he needs to participate in that meeting. He said that *“Suppose my colleague who is in the night roster face any issues which my involvement also requires. In that case, I need to answer my friend’s call even in the middle of the night and jointly complete the requirement,”* So these kinds of situations are not highlighted to the management by them. It’s the unknown factor by the management of the organization. He also mentioned that they missed the office interactions and felt isolated as they could not share their colleagues’ concerns.

He states that he has gone through some medical treatments for a couple of months due to this. When we inquired whether his office knew about this, he stated that the office does not know about this; these types of stress and health issues are familiar to his colleagues. They did not inform the higher management or HR of the organization about this. When we inquired about the training and certifications, he stated that the certifications are easy to perform online while at home. However, they feel that physical training sessions are better than online training sessions. He highlighted that from online training sessions, they can understand the product or the software, but they cannot get the exposure and the output from the other employees who participate in the session from different organizations. When it comes to physical participation sessions, more interaction among the people is there from different companies. Their knowledge varies, and they get an opportunity to get friendly with each other and exchange knowledge more than online platforms. As fresh graduates, what has been stated was that there are so many things they need to learn from the seniors, and through the online platform, it’s challenging to observe how senior employees do their work. He said anytime they get support from the senior employees, but the knowledge sharing is limited due to the physical participation. Since they are new employees to the working environment, they do not bring their issues up like the senior employees.

When asked how comfortable they are communicating their issues directly with HR, he stated that rather than bringing us the issues they face directly with HR, they are comfortable communicating to the immediate reporting manager. The information should reach the top management and HR through the immediate managers. Also, he stated that if they get a feedback call from higher management in the form of a casual chat level, they are even ok to open up and give their feedback. He stated that this call would motivate them since they feel that the higher management is concerned about them.



## **Do hybrid model right**

Everyone thinks that this hybrid model is a good fit for the knowledge employees like the IT industry. Employees in the IT industry consider as knowledge employees because their work is less tangible than manual workers, and that employee's brain embraces the mean of production. Because employees involved in knowledgebase work can access and complete their work anywhere anytime through their pc, laptop, and smartphones. More positive feedback is highlighted in the higher management interviews, but this model also has hidden negative aspects. i.e., social and professional isolation and perceived threats in professional advancement. After analyzing all the stories, we noted that employees-well-being is not conclusive as expected level. In the offline transitional working environment, individuals had more flexibility around their work location, more excellent work-life balance, job autonomy, and effective communication with their subordinates. So, the employee's well-being is connected with the work-related well-being dimensions like affective, social, cognitive, professional, and psychometric.

Overall, interns, freshers, or new graduates are the future of the IT business because they think differently. They are trying to resolve the problem from a different angle; if they are not adequately trained and if the issues are not visible to the management, there will be a massive impact on the IT industry of Sri Lanka in the future. So that to get the success with this model, companies should connect with the employee's well-being and work-related well-being dimension together. Since some organizations have stopped giving training for fresh graduates and internships, there will be a skill gap in the IT industry soon. The organizations should not stop participating in career fairs and giving opportunities for undergrads for internships and training. Authors understood from the stories are the issues faced by junior level employees are not visible to the top management of the organizations. The top management should implement a proper information flow, whereas the organization's culture, vision, mission, policies, and procedures could inculcate the employees even at the bottom level of the hierarchy and vice versa the employees' issues. The employee's well-being is a critical factor for employee performance; the physical and mental health is an essential factor that the organizations should monitor their employees. The organizations should provide all the employees with a chance to get a full-body checkup at least once a year and provide free counseling sessions. The hybrid should form considering all the factors, project, tasks, time, employer's concerns & employee's concerns. All the stories shared by the professionals/executives will be of great importance for

academics to continue the theoretical advancement of research into a hybrid working model and practitioners/ higher managers to implement and manage hybrid flexible working attitudes and policies more effectively.

After figuring out the importance of the ICT/BPM sector, most governing bodies have decided to dedicated IT parks offering state of the art facility with plans to build a technology-based society with the establishment of five new technology parks in the country. The most famous IT parks are Orion City with 16 acres, 1 Mn sq. ft for 8000 employees, Port City IT Park with 17 Mn sqft of office space, TRACE expert city and Technology cities by targeting the main cities, Galle, Kandy, Nuwara Eliya, and Kurunegala. If most IT/BPM companies follow this working model in the future, there is a question of what will happen for the investment done on these types of technology hubs and parks. Recently, most IT/BPM companies started to shrink their office spaces by 100% to 50%; in the future, this will be a substantial infrastructure issue too.

## **Conclusion**

The authors invite industry heads to use this case story as a real-life business case produced in the pandemic situation in the IT Industry sector in Sri Lanka. Most IT/BPM organizations practice a Hybrid Flexible Working model in this pandemic situation, and higher management would like to conduct this model in the future. But to get actual value out of this model, companies should align this model with the employee's affective dimensions like emotions, job satisfaction, organizational commitment, emotional exhaustion. Cognitive well-being should align with cognitive weariness. The third dimension is social well-being, how individuals function in their social relationships in a hybrid working model. The fourth dimension is how professional well-being, like autonomy, aspiration, and competence, should align with this model. The fifth dimension is psychometric well-being which concerns the health complaints that an individual may have like headache, back pain, musculoskeletal tissue issues, and eye pains. Hence, industry heads and HR practitioners can use this case study for planning the Hybrid working model to synergies with the IT company business strategy. The Action Regulation Theory could be aligned with this model; it is not only the normative guide to efficient and humanized work. It is a foundation of international standards in work design. Employers could initiate random activities and surveys, including assignments to review the Hybrid Flexible Working Model in the organization, perceived quality of the working model, and work-specific well-being on industrial

or vital goods for employees to understand the impact on employee well-being organizational productivity.

### **Acknowledgment**

Mr. Lasantha Bogoda, General Manager of DMS Software Technologies (Pvt) Ltd, Mr. Priyantha Bethmage – Managing Director of reputed IT Company in Sri Lanka, Head of Business Development, Head of IT of Local IT organizations, Senior Manager – Technology in Multi-National Company, Assistant General Manager of a data center in a local IT company, Female Associate QA Engineer and Fresh Associated Software Engineer in a reputed IT company.

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## **Glory of a Visionary Man: Case Story Glory Swim Shop**

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### ***Preface***

*This paper is a case story based on an entrepreneurship located in Colombo, called Glory Swim Shop. Glory swimwear supplies its product to the local and international market. This case story documents the path taken by Glory Swim Shop' owner, showing exactly how entrepreneurship reached the successful position that it currently holds. Information for this case story was gathered by interviewing the owner of Glory Swim Shop. The interviews helped us to learn about the business' story from the day it was first engendered until the present day. This case story displays the business' processes, successes, and failures, and ultimately gives aspiring entrepreneurs advice on how to better their chances of business success. Drawing upon this, this case suggests that the effects of entrepreneurial orientation appear to be long-term and persistent. This case study found that constructive risk-taking was rewarded with a higher average of performance. It also found that innovativeness increased the rewards of risk-taking and that proactiveness often involved taking risks and therefore, indirectly affected the success of Glory Swim Shop. The story of Glory Swim Shop reveals that the risk-taking; proactiveness and innovativeness of an entrepreneur have a positive impact on performance.*

### **Introduction - Glory Swim Shop**

With new opportunities came new challenges. Mr. Ranga Balasooriya is just having a school education at Trinity College Kandy. He is also a swimmer during his school days. In 2004, despite his lack of formal education, he worked as a director of Norris Clinic and Siri Medical Stores Pvt Ltd., for his father where he founded this enterprise. He was constantly looking for new ways to improve various aspects of the company and genuinely wanted what was best for the business. Ranga wanted the name of his shop to be creative and that would stick

in customers' minds and make them wonder what his shop was. Thus, Glory Swim Shop was born. Ranga felt that the name fit with the customers. Between 2004 and 2006, he opened his first outlet in the storage/dump room of his father's clinic (Norris Clinic). (Just over 100sqft of floor space). Later opened in Colombo 04 with a space of 200 sqft and then expanded to Havelock road near the Pizza Hut with a space of 600 sqft and then to Thimbirigasyaya in 2008 with space of 1000 sqft. Since then, the Thimbirigasyaya showroom space has been expanded to 8000 sqft with another 6000 sqft under construction to add to the exclusive swimwear space. He will plan to expand the showroom size to more than 14000 square feet by the end of 2022.

### **Glory Treadmills – Colombo**

In 2004, with the assistance of his brother-in-law in Kandy, he began purchasing a few pieces of fitness equipment. Mr. Chapa Weararathne, the owner of Champa Stores, on a consignment basis. Later, with financial assistance from Mrs. Shanthi Goonerathne of DFCC Bank, who went above and beyond to assist him in importing fitness equipment and swimwear? In 2008, the company shifted from selling only treadmills under the brand name of Glory Treadmills and selling all types of swimwear under the brand name of Glory Swim Shop. At first, there were a few pieces of exercise equipment such as abdominal workout machines, orbitreks, and small manual treadmills that were selling well. Additionally, Glory sold some physiotherapy equipment and wheelchairs, which was a flop. Later that year, in 2008, began selling Glory Treadmills, which were a big success, and also began selling all swim-related products, including swimming training equipment, scuba diving, and snorkeling equipment, as well as fashion and leisure swimwear. Now, the annual revenue is roughly Rs. 150 million, and the average for the last decade is Rs. 1.5 billion. The April 2019 bomb attacks were a significant setback for the tourism industry, which has continued to suffer as a result of Covid-19.

### **Glory Swimwear in international market**

According to Ranga, the unique approaches he employed to establish the firm were his devotion and perseverance, as well as his passion for the sport of swimming. Additionally, by passing the FINA (WORLD FEDERATION FOR SWIMMING) level 2 examinations, he was able to learn and master the subject of swimming. Glory swim store has been acknowledged as the largest "exclusive swimwear retailer in South Asia. Google search. Glory Swim Shop was the primary sponsor of Sri Lanka's contingent in the Commonwealth and Asian Games in 2010. His

success was demonstrated by the establishment of five other luxury swimwear boutiques in Sri Lanka, including one at the Shangri-la one Galle face shopping mall. Additionally, Glory provides over 100 other hotels/resorts in Sri Lanka and the Maldives, as well as the tri forces and the president's office in Sri Lanka.

Glory Swim Shop has a broad selection of swimwear and swimming equipment for men and women, professionals and novices alike. The store carries international names such as Arena and Speedo, as well as a variety of other professional swimwear brands that provide comfort, flexibility, and quality. The store is stocked with a variety of colors ranging from dark to bright, providing the shoppers with a variety of options. Ladies can choose from many swimsuit styles, ranging from one-piece to bikinis. Their floral two-piece swimsuit collection is excellent for tropical beach excursions. Children's swimwear is composed of safe, high-quality materials and features famous cartoon characters to enhance their swimming experience. Swim floats, child float boards, and other equipment are available to guarantee that the experience is also safe. From goggles to pull buoys, the Glory Swim Shop has everything a professional swimmer could need. They offer a variety of swim fins, paddles, and shammys for divers, as well as fitness equipment ranging from jump ropes to treadmills. In addition, protein powder, energizers, and nutritious beverages are available to swimming aficionados. If you're looking for a few stylish pieces for a day at the beach, you can choose from a variety of designs of beach shorts and flip-flops. Glory Swim Shop is conveniently located and offers high-quality, long-lasting equipment for those who participate in aquatic activities.

### **Glory Swim Shop on Facebook**

Ranga realized soon that diverse communication was important for their business, an online appearance was equally if not more important in this age of technology. He created an online fan page for Glory Swim Shop on Facebook.com a popular social media site as shown below.

**Figure 1: Facebook page of Glory Swim Shop**

Facebook instantly became an excellent tool for the business. It informed customers of products, hosted contests for customers to win gifts, advertised their shows and other business happenings, and allowed the customers to interact one-on-one with the business owner. Through Facebook Ranga helped future and current customers feel a personal connection with the business. Ranga felt that Glory Swim Shop needed its website to offer a complete online appearance and communicate that they have a professional business (see the Instagram page Glory Swim Shop (@glory\_swimshop)).

### **Biggest success factors of Ranga**

To survive in today's turbulent and dynamic business environment, it has been recognized that business owners need to adopt entrepreneurship when formulating their strategies. Entrepreneurial attitudes and behaviors are necessary for firms of all sizes to prosper and grow. Entrepreneurial orientation is one way of describing and operationalizing the concept of a firm's strategic position. It is considered an important predictor of organizational performance and is considered as an entrepreneurial strategy-making process that firms create to achieve a competitive advantage. It is said that a firm with a higher entrepreneurial orientation is detrimental to higher business performance. Risk-taking, proactiveness, and innovativeness, competitive aggressiveness, autonomy, corporate venturing, self-renewal, and adaptability, flexibility, and speed are key entrepreneurial characteristics that affect success. Ranga is an entrepreneur who identifies the power of entrepreneurial orientation namely, risk-taking, proactiveness, and innovativeness, and applied every essence of it to his business.

Ranga is a competent leader who has a strong feeling of self-confidence that has been developed over the years of learning, experimenting, and occasionally failing



but always progressing. He recognizes his unique strengths and weaknesses and demonstrates his abilities and talents without bragging. As a successful entrepreneur, Ranga is flexible and so proactive during turbulent situations. By recognizing the importance of motivating tactics in enhancing employee performance, Ranga collaborates with others to boost company productivity and individual job happiness. Following are some entrepreneurial orientation dimensions that Ranga is experiencing currently to be a success.

Ranga has an opportunistic mind-set, which aids him in identifying opportunities in the market. He always mentioned that opportunities are everywhere, and some people are much better at spotting them than other people. Ranga has innovative and complicated experiences, as well as variations in all parts of his business. Formal education or training, which is required for recognizing and evaluating new opportunities or for interpreting occurrences the majority of successful innovators are well-trained experts in their profession, Ranga has very good knowledge about his field of business and he always keen to obtain the entrepreneurial training which can be quite beneficial. Ranga demonstrates strong levels of initiative and perseverance, which enable him to capitalize on the opportunities that they recognize. He always believes that effective innovators are more determined, more resilient, and more energetic than their competitors in their respective fields.

According to Ranagas's experience, successive innovators are more well-organized, cautious, and risk-averse than the average public. Ranga says that increased risk-taking is associated with the establishment of businesses; however, it is not associated with the success of businesses. One important factor Ranga believes is social capital. Ranga has many connections and networks to mobilize resources and forge strong relationships both within and beyond their organization. As a person, Ranga said, Entrepreneurs tend to have higher emotional intelligence (EQ), which allows them to sell their ideas and strategies to others and express the main objective to their teams.

Ranga has identified that most of the entrepreneurs are confused about how to create systems, standard operating procedures, and automation in their business that will enable them to focus on developing a true freedom lifestyle business rather than on providing the service or product. They have no notion how to run a business that is profitable and satisfying to them.

## **The biggest mistake of Ranga**

*Work-life balance* - Ranga believes that his biggest error was failing to maintain a healthy work-life balance. It is tough to operate a business without feeling the need to be in control of everything at all times. He believes he should have done a better job of blocking out time on his calendar so that anyone who needed to reach him outside of work hours could do so only in an emergency.

*Trusting too quickly*- Ranga has sometimes been too trusting of people who didn't have a long track record with him. The experiences he has had related to this situation taught him that no matter where a new contact comes from, he always has to vet anyone and everyone in some capacity.

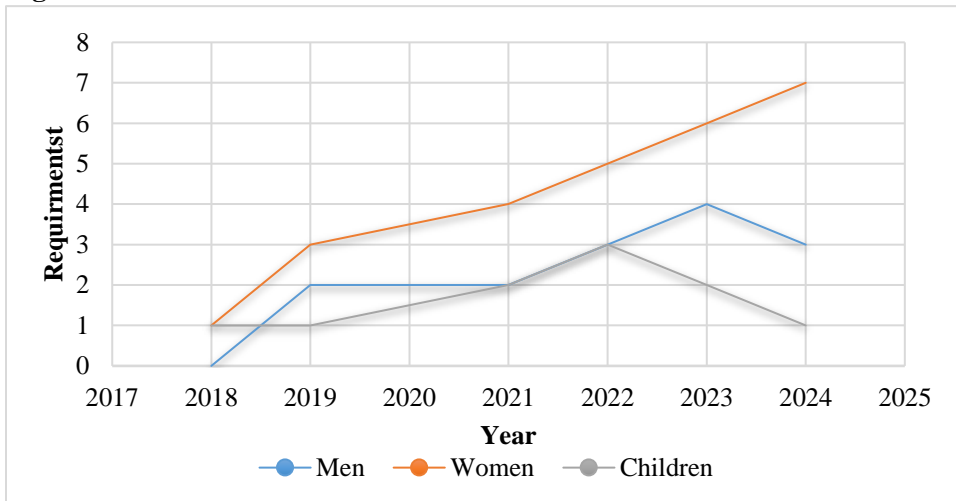
## **Short term and long term growth strategies of Glory Swim Shop**

The global swimwear market was worth \$18,454 million in 2021 and is expected to reach \$28,148 million by 2024, growing at a 6.2 percent compound annual growth rate from 2018 to 2024. Swimwear is a type of clothing that is specifically designed for people who participate in water-based activities or water sports such as swimming, water polo, surfing, or water skiing, as well as recreational activities such as sunbathing. Additionally, it is used to prevent skin rashes caused by contact with chlorinated pool water. It is constructed from a variety of fabrics, including polyester, nylon, spandex, and other blended fibers, and features a high degree of elasticity and comfort. Swimwear is worn not only for swimming but also as semi-casual attire at pool parties and at outdoor venues such as restaurants, resorts, and shopping centres.

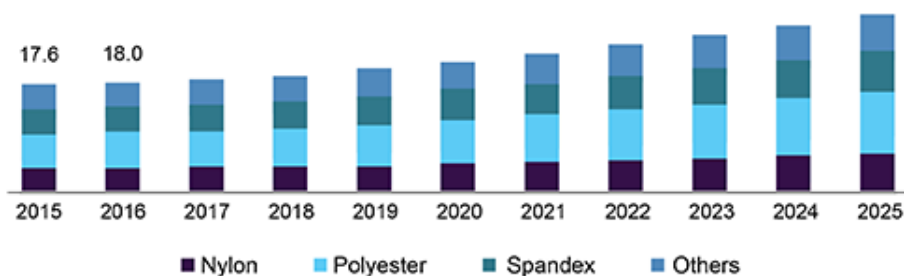
Swimming is a very popular fitness and recreational activity. Increased consumer interest in swimming and the number of family vacations in the beach holiday resorts boost demand for swimwear, propelling the market's growth. Additionally, factors such as the increase in female demand for luxury swimwear, the expansion of public or private swimming pools and clubs, and the high penetration and acceptance rates of e-commerce platforms all contribute to the market's growth. However, the costs associated with acquiring raw materials and designing swimwear has a greater impact on the market's growth. The incorporation of fabrics such as neoprene, which has high thermal insulation, increased flexibility, adequate surface friction, and is lightweight, combined with the introduction of multifunctional cover-up swimwear and beachwear, will increase swimwear's popularity and demand in the coming years.

The global swimwear market is segmented by fabric, the channel of distribution, end-user, and region. The swimwear market is segmented by fabric type into polyester, nylon, neoprene, spandex/elastane, and others. The distribution channel segment is divided into offline and online distribution channels. The swimwear market is segmented into three segments based on end-user: woman, man, and child. The swimwear market is segmented geographically into North America, Europe, Asia-Pacific, and LAMEA. Identifying the above Glory has addressed the real market requirement and cost leader strategy is the success behind the story. Now it has become a market leader in swimwear.

**Figure 2: Swimwear market Sri Lanka**



**Figure 3: Global swimwear market size, by fabric type 2015-2025**



Source: Grandviewresearch (2020)

Ranga understood the importance of seizing an opportunity. When he found an opportunity he moved quickly to contact and sends them samples of his work.

Ranga saw every opportunity as a “maybe” until that opportunity was either a definite “yes” or “no.” Ranga was persistent in all of his efforts, which helped Glory Swim Shop grow even more. Before long online sales and wholesale orders increased so much that once again Ranga realized that expansion of the business in a different location is very important.

### **Challenges to Glory Swim Shop**

The effect of the Coronavirus (COVID-19) on the swimwear industry is examined in this report. Since December 2019, the COVID-19 infection has spread to nearly 180 countries, prompting the World Health Organization to declare it a public health emergency. The global impact of the Covid infection 2020 (COVID-19) is now being felt and will have a significant impact on the Swimwear market in 2020 and 2021. Regardless, this, too, will pass. Increased assistance from governments and a few organizations can aid in the fight against this highly infectious disease. Glory is doing only online as per Ranga. Glory Swim Shop is directly attached to the tourism and leisure sector currently having a very difficult time trying to survive with the overheads such as rentals and salaries. Business is badly affected because of the school closure and tourism. Survival is through some online sales only via [www.gloryswimshop.com](http://www.gloryswimshop.com).

### **Conclusion**

The roots, experiences, and history of today and the future are assured by their path. The key drivers of all successful corporate organizations in the 21<sup>st</sup> century will be unique, high-quality innovations, dynamic cultures, financial stability, and in particular Entrepreneurial Leadership and diversification. Humanity faces the greatest challenge in our period and everywhere is uncertainty and volatility. When most industries experienced a crisis, relatively few companies stood against and fought against it. Glory Swim Shop is a company that faces the worldwide challenge with great courage and performance will taking care of its employees, industry, and the connected community. The roots, experiences, and visionary approach have helped the company to stay still during the pandemic. This is the success story and strategy of Ranga and Glory Swim Shop.

### **Teacher guide**

The authors invite the teachers to take this case study as an example of a realistic business case based on the knowledge gaps in the Sri Lankan swimming clothing

industry's corporate vision and growth strategy in Sri Lanka and entrepreneurial orientation leadership characteristics. It includes practical insights into how Glory has been turned into a cost leader for the diversity of products as well as the business leadership components. This case study can therefore be used by teachers to teach students how to shape business strategies for diversification, cost management, and differentiation to attain competitiveness while entering into consumers' markets. Activities in the pre-classroom may include assignments that will need students to research post-academic leadership theory, growth strategic theories, and brand-related activities, as well as theories with special arguments regarding sportswear accessories to attend educated class sessions.

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**Transforming a Failure Business into a Success: “A Case Study of Divine Marketing (PVT) Limited's Acquisition of Sanet Marketing (PVT) Limited”**

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***Preface***

*Divine Marketing (Pvt) Ltd acquired Sanet Marketing (Pvt) Ltd, a financially troubled tissue producer in Sri Lanka. This case study focuses on Divine Marketing (Pvt) Ltd's current business model, dubbed a "Red Ocean Strategy" by strategy specialists which was established during the organization's turnaround post purchase. The argument is made on the basis of the company's agility in adapting its viewpoint and delivering bedroll solutions to private and public hospitals in order to expand its market reach. The potential to grow this model into a seamless, integrated strategy boded well for the future of the firm.*

*The firm owns corporate and retail marketing channels. Following the acquisition in 2019, the firm made the tough decision to cut operating expenditures, such as employee costs, to the absolute minimum while sustaining output. Soon after the acquisition, the Easter Sunday attack wreaked havoc on the national economy, with the dollar rate surging beyond 200 Sri Lankan rupees. In early 2020, the COVID epidemic destroyed the country's economy and depreciated the rupee. As a result of this catastrophe, the firm was able to strategically position itself and gain market share. The firm developed from a B2C player to a B2B one. It is one of the few tissue producers in Sri Lanka that generates revenue from the business-to-business sector. It advertises and sells healthcare supplies to business clients. It is a vertically integrated firm that makes, wholesales, and distributes tissue rolls to stores. It is Sri Lanka's only fully integrated bedroll producer that is profitable for both consumers and the firm. It is largely involved in the production of lunch napkins, toilet paper, face tissue, wet scented tissue, hand towels, handkerchiefs, and kitchen towels. They built on current goods and provided clients with high-quality disposable bed linens at affordable costs.*

## Overview of the industry

Tissue paper is primarily composed of three types of raw materials: chemical pulp, mechanical pulp, and waste paper. These raw materials are then transformed into toilet paper, facial tissues, wrapping paper, napkins, and specialty paper towels. Tissue paper quality, such as porosity, absorbency, tensile strength, roughness, and feel, may vary depending on where it is used. In the toilet paper industry, there are two major categories: at-home and out-of-home. When going out, household paper towels, also known as consumer paper towels, are primarily used for household purposes, whereas industrial and commercial paper towels are primarily used for industrial and commercial purposes. Tissue paper demand is increasing, primarily because there are few substitutes for it, and the available substitutes are insufficient to divert people's attention away from it.

Because of the industry's level of competition, more local paper tissue manufacturing companies have an advantage in acquiring and retaining customers, especially because users prefer to identify with manufacturing companies that are closer to them rather than those that are far away. Furthermore, because they do not have to deal with the shipping costs of getting paper towels to customers, local manufacturers can set lower prices for their paper towels.

**Figure 1: Tissue paper market size by region, 2016-2027**

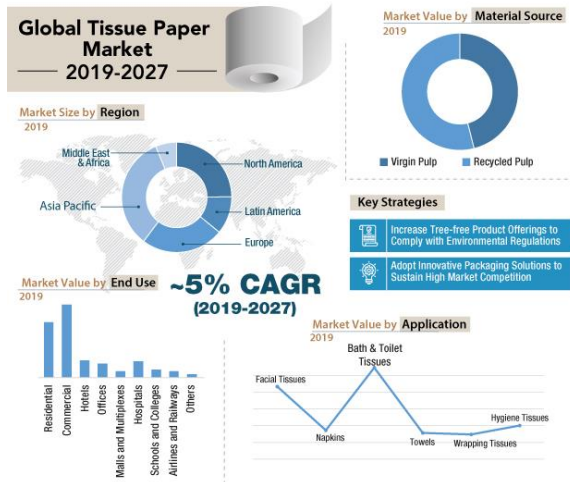


Source: *Polarizedmarketresearch.com* (2020)

According to Polaris market research, demand for tissue paper is increasing, and the Asia Pacific market size is also increasing. We had two personal interviews with Mr. Rienzie Nanayakkara, MD & CEO of Divine Marketing (PVT) Limited, on 01<sup>st</sup> and 06<sup>th</sup> September, 2021. According to Mr. Nanayakkara, the size of the

Sri Lankan tissue market has increased and is continuing to grow significantly. While Flora has a 60% market share, other players are competing to capture and increase their market share through effective and efficient strategies.

**Figure 2: Tissue paper market size, 2019-2027**



Source: [Transparencymarketresearch.com](https://www.transparencymarketresearch.com)

**Figure 3: Tissue paper market 2020-2024**



Source: [Transparencymarketresearch.com](https://www.transparencymarketresearch.com)



In the tissue paper industry, a new sub-segment is emerging. The specialty paper industry is in its early stages, but it is expected to grow rapidly as the Sri Lankan population's education level improves and disposable income levels rise. The tissue paper industry's high growth potential encourages its transition from a small-scale industry to a fully developed organized industry in Sri Lanka. Some large paper companies are expanding into the production of toilet paper. The Sri Lankan tissue paper market is at a crossroads and is expected to grow by 9% over the next 3-5 years. According to Sasikaran (2017), the organized tissue market in Sri Lanka is estimated to be worth more than 500 million Sri Lankan Rupees in the year 2021. Increased awareness level of hygienic lifestyle, disposable income, and deeper penetration of organized retail will drive this growth.

Since Flora established their tissue products in Sri Lanka in the 1980s, the commercial and corporate use of tissue paper in Sri Lanka has begun. Toilet Tissues, Facial Tissues, and Paper Hand Towels are among the hygienic soft tissue products available. Paper cups, paper plates, wet wipes, and other similar products have recently been added to the line, and the usage of the products is increasing locally and globally. According to the news article published in Bangladesh's The Daily Star on April 23rd, 2019, Sri Lanka's tissue paper consumption in 2018 was 19 kg per person (4.1 Kg in Bangladesh, 13 kg in India, 7 kg in Pakistan, 33 kg in Vietnam and 9 kg in Cambodia). According to Mr. Rienzie Nanayakkara, MD & CEO of Divine Marketing (PVT) Limited, tissue paper consumption in Sri Lanka is increasing, and the market size is expanding commercially and corporately. Tissue paper is used by the majority of health care sectors, hotels, restaurants, and houses to maintain their quality and healthy business and lifestyle. In accordance with Sri Lanka's green and clean country concepts, all organizations switched to disposable paper products rather than plastic products. Paper products are easy to dispose of and do not harm or pollute the environment. There are many tissue paper manufacturers and suppliers in Sri Lanka, and they each play a different role based on the market and product segment.

### **Executive summary/ synopsis**

The aim of this study is to discuss how Divine Marketing (PVT) Limited uses the red ocean strategy to sustain its business model in this competitive market while earning profits. This case story aims to elaborate on the identified problem of loss-making business and the solution adopted by Divine Marketing (PVT) Limited. Since they are the new entrant in the tissue paper business, how did they acquire

Sanet Marketing (PVT) Limited's tissue paper business and survive in the industry while providing sustainable products and services with enjoyable revenue?

Sanet Marketing (PVT) Limited, founded in 2010 as a tissue manufacturer in Sri Lanka and they were able to grow its business up to a certain level in the market. They strive to manufacture high-quality tissue products to meet a wide range of customer needs by sourcing raw materials from countries such as Vietnam. Despite the presence of well-established market leaders like Flora and Nimex, Sanet was able to move forward with wholesale supply and distribution. According to Sasikaran (2017), Sanet Marketing (PVT) Limited had a 10% market share, while Flora had a 60% market share.

**Figure 4: Competitor analysis**



Source: Sasikaran, (2017)

Sanet Marketing (PVT) Limited has recorded an average annual sale of LKR 180 million through a limited market. The company employed 65 people including 04 Sales reps and they had 04 Lorries and staff vehicles for the distribution. The company experienced loss-making which leads to a lack of planned vision, objective, and business plan. The company was unable to meet the high cost incurred within the business.

Due to unavoidable circumstances, Sanet Marketing (PVT) Limited gradually lost their market share and businesses, and they have no other option but to sell their business to the other party. The company decided to sell off the factory and the

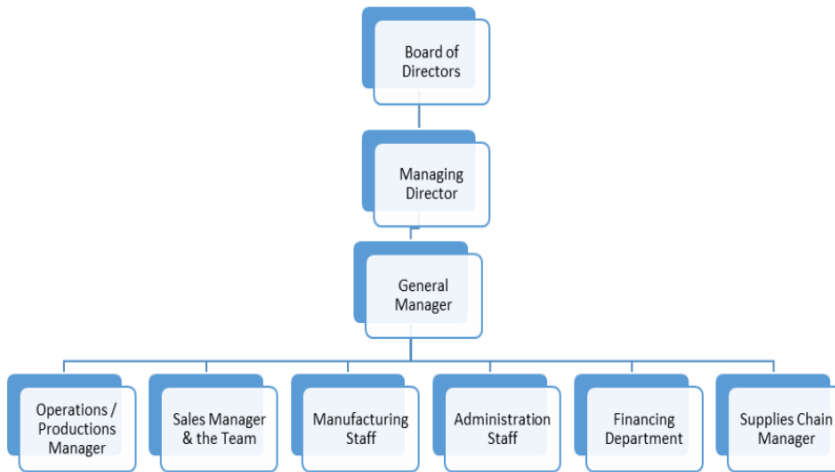
brand name. At that time, Mr. Rienzie Nanayakkara established Divine Marketing (PVT) Limited on April 28th, 2019, and acquired the Sanet tissue paper factory with the brand name.

Rienzie Nanayakkara, the founder of Divine Marketing, is a multi-dynamic business personality with having a successful marketing track record that helped the company get through its early years. Mr. Sujith Hettiarachchi, a Business Administration Manager, and Mr. Anton Marcus Operation Manager had worked at had vast experience in multinational companies. The sales and marketing department is made up of Rienzie Nanayakkara and Dilmith Nanayakkara, and Sujith and Anton oversee the factory's Administration, Finance, and Operations.

Divine Marketing (PVT) Limited is a relatively new entrant into the industry, having entered the highly competitive business environment of Sri Lanka. Before they begin manufacturing and distribution, Mr. Nanayakkara, MD / CEO, and his highly knowledgeable management staff investigate the root cause of the failure of Sanet Marketing (PVT) Limited. Mr. Nanayakkara's had 30 years of marketing and sales experience in the health care sector and he use his ample experience to diagnose the previous company failure. Initially, they conducted a cost analysis to determine the costs for each process. By using audit reports of Sanet, they were able to identify that the highest operational costs were incurred from employee salaries and excess inventories.

Based on the analysis, Divine Marketing (PVT) Limited began to recruit new employees with the proper qualification and they limit their staff to 31 employees which are 50% cut down their human capital cost. There were many unnecessary assets, including vehicles and old machinery. The management decided to sell those unnecessary inventories that bring back accountable liquid money for easy cash flow to the company.

There are 31 employees, including directors, in the organization, with a structure that maximizes efficiency while minimizing human capital. The structure includes a Managing Director, a Director, and a General Manager as well as an Operations Manager and a Management Trainee. There is also an Accountant, an Office Administrator, an Office Manager, and a Factory Manager in addition to 20 factory workers, for a total of 31 employees. Divine Marketing (PVT) Limited's structure and vision, as well as its mission statement, were defined by the company founder.

**Figure 5: Company structure**

**Mission:** To provide high-quality products at reasonable prices to the paper and cardboard market. We prefer to make things better rather than bigger. Our ultimate goal is to become an industry leader by providing high-quality customer service.

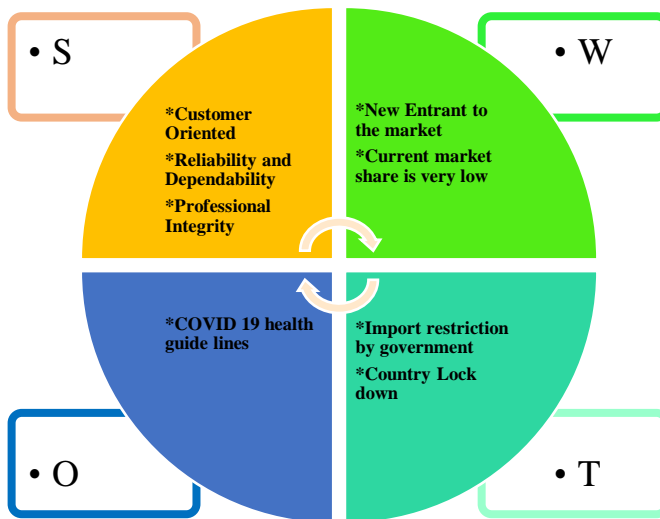
**Vision:** To improve the lives of consumers by providing high-quality, value-added brand products and services.

**Goal:** Maintaining a high priority in order to continue supplying the products it offers. Customer uptime is our top priority in order to provide the level of service that our customers expect from us.

Based on their findings, Divine Marketing (PVT) Limited began implementing a red ocean strategy to launch their businesses in a highly competitive market. To outperform their competitors, they conducted a SWOT analysis to determine their strengths, weaknesses, opportunities, and threats. During this time, the COVID 19 virus hit the Sri Lankan economy and the Global market economy. The management was decided to conduct a thorough SWOT analysis in order to prepare for the COVID 19 pandemic.

## SWOT analysis

Figure 6: SWOT analysis



Source: Developed by Author

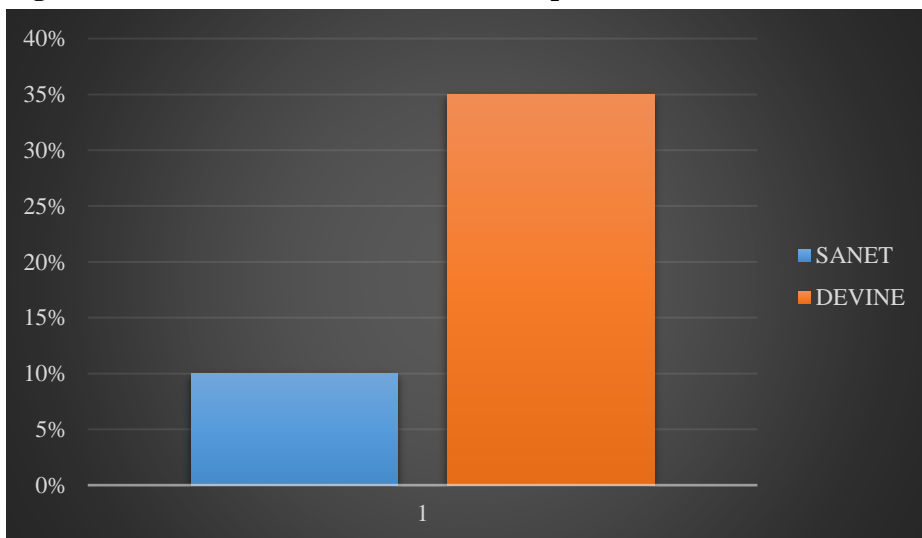
**Strength:** The Divine Marketing (PVT) Limited produces customer-oriented products to satisfy customers who already use Sanet tissue papers and gain new customers through word-of-mouth products or brand recommendations. This strength undoubtedly aids in the entry into new markets in order to increase the market share of Sanet products. Divine Marketing produces high-quality, dependable products using 100 percent virgin pulp raw materials, increasing customer satisfaction and recommending more products to future customers. All key personnel have been trained to take good care of customers by top-tier professional management; the manufacturing facility is fully equipped with high-throughput machinery manufactured by the world's best manufacturers. This professional and high-quality machinery integration always provides existing and new customers with confidence in the products and services.

**Weakness:** The main weakness of Divine Marketing (PVT) Limited is that they are a new entrant in this market, but Sanet is already a well-known product with a small market share, so Divine Marketing (PVT) Limited must implement new market and product segments to create and capture market share. As a new entrant, Divine Marketing (PVT) Limited uses the red ocean strategy to reduce costs while

maintaining product and service quality. They did this by limiting the number of employees and continuing the process cycle with the employees and resources that were available. To increase market share, they develop products and market segments, such as low-cost high-quality disposable bed sheets. They invested more than Rs. 120 million in designing and distributing these disposable bed sheets.

**Opportunity:** Because of COVID 19 pandemic health guidelines, Divine Marketing was able to promote their products to every major Sri Lankan hotel, shopping center, hospital, and consumer market. Despite the fact that they are newcomers, this is a fantastic opportunity for them. The ministry of health and the government mandated that all hospitals use disposable hand tissues, bed sheets, and other items due to COVID 19 health guidelines. Divine Marketing's founder had the best opportunity to approach all private and public hospitals and health care centers to promote high-quality Sanet disposable products at an affordable price because he has a good relationship with the health care sector. This opportunity boosted market share by 35 percent, from 10% to 35%.

**Figure 7: Market share before and after acquisition**



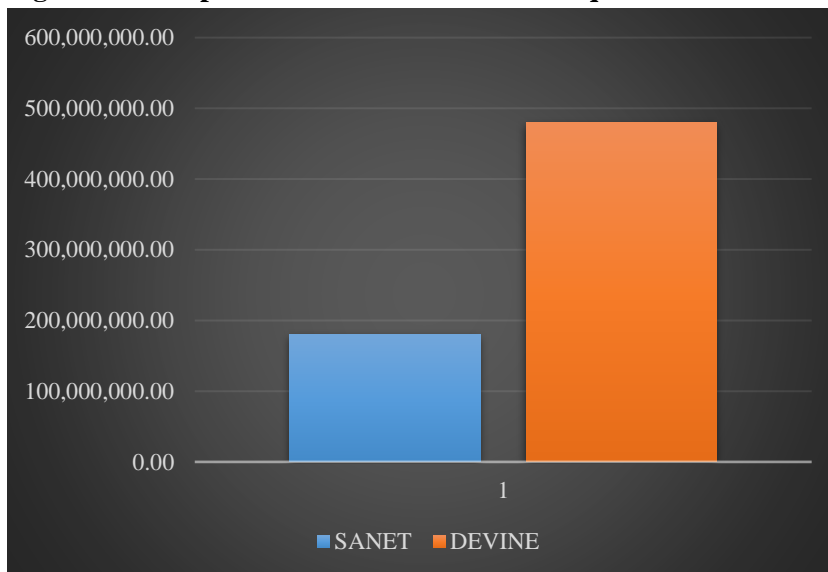
Based on an interview with Divine Marketing's founder, he confirmed the market share information with previous and current auditing details.

**Threat:** Country lockdown and travel restrictions pose a threat to all organizations in this pandemic, but this has become an essential service, and they have never closed the factory; with the full staff, they manage to operate the factory in

accordance with health guidelines. As a result, the pandemic had no effect on their ability to conduct business. One of the threats is government import restrictions, and because of the pandemic, the government is allowing them to import raw materials to produce disposable tissues without any dropped out.

According to Divine Marketing's SWOT analysis, they had no difficulty continuing their business in a highly competitive market, growing their market share to 35% from 10% and their annual sales increased to LKR 480 million from LKR 180 million. However, they discovered the problem and solution and the executed and acted and caught, respectively, utilizing this SWOT analysis.

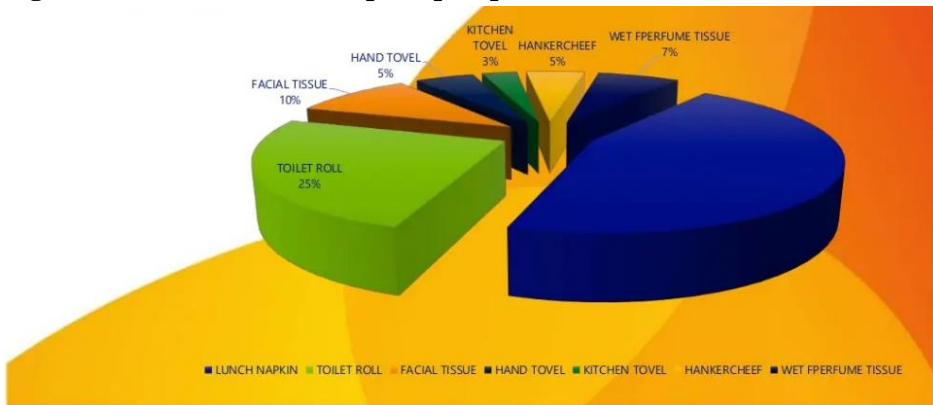
**Figure 8: Sales per annum before and after acquisition**



### Marketing mix 7P's

Furthermore, according to the founder/MD/CEO interview, they have completed the 7P's marketing mix.

Product: Lunch napkin, toilet paper, facial tissue, wet perfume tissue, hand towel, handkerchief, and kitchen towel, they have continued the existing products and introduced high quality disposable bedsheets to the customers at an affordable price. According to Sasikaran (2017), the total market share in 2017 was 45 percent lunch napkin, 25 percent toilet rolls, 10% facial tissue, 7% wet perfume tissue, 5% hand towel, 5% handkerchief, and 3% kitchen towel.

**Figure 9: Market share with push pull products**

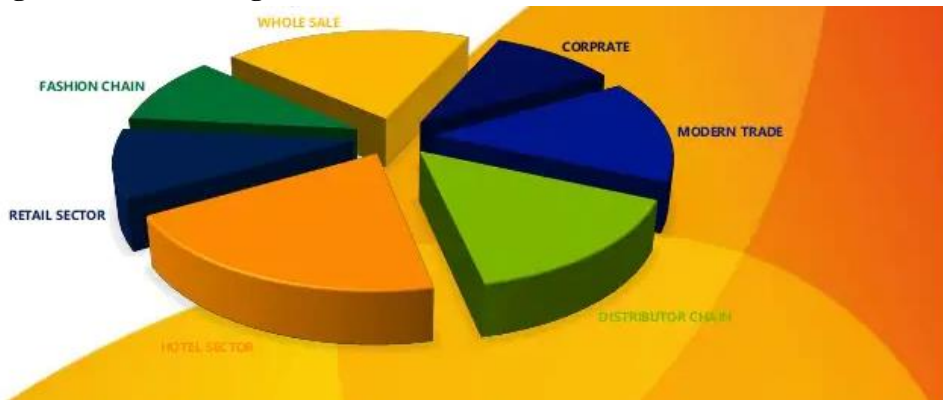
As a result, disposable bedsheets will be included in the market products and share will be calculated and included in their next annual/audit report along with Divine market share.

**Price:** Because Divine Marketing employs the red ocean strategy, they have set a low-cost selling price by managing their operational and other costs, including raw material costs and logistics, without sacrificing product and service quality.

**Place:** Products are used in almost every major Sri Lankan hotel, shopping center, hospital, and consumer market, and the diversity of the product range is growing year after year. According to Sasikaran (2017), the hospital and health care sectors are not considered separately in the market segment, and after Divine marketing's successful business to hospitals and health care sectors, this will be included in their next annual/audit report, along with Divine market share.

**Promotion:** Divine marketing promotes their products through below-the-line (BTL), above-the-line (ATL) and through-the-line (TTL) methods, primarily direct marketing by meeting customers at their homes, as well as email and telemarketing and trending social media marketing.



**Figure 10: Market segment**

People: A well-trained and smart management professional team run sales with a large measure of success due to the personal service, as a small team, can offer customers to help them achieve their goals. Divine Marketing places a high value on the continuous supply of the products it sells. Customer uptime is their top priority, and in order to provide the level of service that customers have come to expect from them, they have a competent and up-to-date supply team. All of their key personnel have been trained by top management to provide excellent customer service.

Physical evidence: They sell 100% virgin pulp high-quality tissues in unique packaging with customizable labeling based on customer needs. The overall picture of 7P's marketing mixing demonstrates that Divine marketing is clearly enjoying their market by competing with key players and increasing their market share and sales revenues.

According to Divine Marketing's Founder/MD/CEO, the company has also invested in building a new factory in Kelaniya to accommodate the tremendous demand for this specific product. "The primary goal of this new factory is to increase the capacity of disposable bed sheet manufacturing", says Mr. Nanayakkara. The new factory would be ready by the end of the year. Divine Marketing also manufactures and distributes a wide range of other products, such as facial tissues, paper serviettes, micro paper towels, kitchen towels, center pull rolls, and more, for hospitals, factories, restaurants, and offices. These products are marketed under two labels: "Sanet" and "Go Green." They also offer necessary customization of their products based on the needs of their customers.

Their newest brand, "Sanet Premium," as well as some high-end products, will be unveiled. Based on the interview given by Divine Marketing's Founder/MD/CEO,

they discovered the problem that Sanet Marketing had already made, and to overcome those mistakes, they applied human capital theory to manage their human resources in an effective and efficient manner to develop their market and market share, and they successfully reduced unnecessary costs and increased their profits to move forward in the market.

### **Sustainable strategy of divine**

After the acquisition, the senior management of Divine Marketing got together and decided to clearly identify the vision, mission, objectives, and purpose of the new business management tool for the new acquisition. They identified that the market is very saturated and the competitors are well established. Few of them are dominating the market with their positive brand image. After several discussions, they came to the conclusion that the business management tool should be Red Ocean, since they are very new to the market and their brand image is not very popular among customers. The tools should be robust enough to cater to multiple locations, high quality product lines, continuing supply and tap into the corporate market.

Mr. Rienzie Nanayakkara has been in the medical field for more than 30 years. The management decided to use his vast experience and goodwill to build the brand image among the corporate sector. Private and public-sector hospitals in the country are well known to him, and he was able to meet them and have a discussion about the requirements. In those discussions, the gap was identified in the disposable bed rolls, which are hardly used for patients. In the Covid condition, they use bed sheets that are not hygienically approved. Mr. Nanayakkara identified the disposable bed roll requirement and that was an opportunity and gap in the tissue market at that time. The management decided to produce top quality disposable bed rolls for the hospital's requirements that help them dispose of the sheets after usage.

The management decided to get input from existing staff from all levels, such as product lines, marketing teams, and admin teams. The biggest challenge was to manage employee attitudes towards change such that there was more readiness and less resistance. Fundamental behavior and attitudes play an important role in perceptions, which influence employees' responses to change. There were many discussions carried out with employees to change the culture and to implant the vision, mission and objectives of the company. There were multiple discussions and training to make them in line with the company's goal. Divine Marketing

needed to create positive synergy among its employees in order to meet higher targets and make more money. The senior business leaders started to focus on internal communication and training for the rest of the staff to make their mindset align with the company's objectives.

Since this was a manufacturing firm, product development was the major requirement to capture the market. Staff were trained on the new machinery, new processes, high-quality material selection, and improved productivity that will give the company a competitive advantage. Mr. Rienzie Nanayakkara and top management decided to dispose of the old machinery and vehicles that were not producing results and to buy high quality, sophisticated machinery for the operation. The disposable bed roll producing machine was imported for that purpose. A new factory building has been established for the new machinery. The marketing strategy was to focus more on the corporate sector rather than the retail sector to get a high volume of business. Divine was able to successfully apply the red ocean strategy in the practical level and was able to create profit making business from the loss making business.

### **Case insight summary**

The purpose of this case study was to inform those who were interested in how Divine was able to turn around a loss-making company endeavor into a profit-making enterprise through strategic management decisions. In addition, the case examines how to turn a disaster period into an opportunity for the company and expand market share by tapping into previously untapped markets and resources. The authors emphasize the significance of a company's vision, mission, and objectives in creating a strategic synergy to tackle obstacles during a difficult period and to spur business growth. During the pandemic time, the case study demonstrated the need of reducing operational costs, such as superfluous personnel expenditures and unsold inventory, as well as identify the most cost-effective solution for the customer's requirements, among other things. The high-quality items were introduced to improve the customer experience, while the quality product was introduced at a competitive price and with a wide selection of product options to reach the target market. The bedroll would prove to be a major turning point in Divine's overall marketing approach. The strength of the transition time and the accuracy of the business forecasting are the leadership abilities and extensive experience of the top management team. They were able to leverage the most experienced members of the organization's top and middle management to establish a professional culture. The fact that they were competing head-to-head

with well-established competitors was an important success factor. To have a better understanding of how they effectively implemented the red ocean approach to expand market share, readers are asked to investigate and grasp Divine was able to develop a value proposition that appealed to the attitude of the business sector. Learners will gain practical experience by participating in the case study, which includes strategy development and marketing communication insights that followed the Divine. They will gain a better understanding of the effective methods for turning a loss-making business into a profit-making business through this experience. The overall conclusion of this case study is that professionalism, opportunity searching, quality improvement, unnecessary cost reduction, and timely decision making will be the most important variables in determining the success of a business venture.

### **Acknowledgement**

We gratefully acknowledge Mr. Rienzie Nanayakkara, Managing Director and CEO of Divine Marketing (PVT) Limited, for providing insights into the company's history and journey of transformation through various stages of strategic tenures. We are grateful to all staff members who provided invaluable assistance in gathering the information needed to compile this study.

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**Transforming Family Managed Business into Wholistic Team Managed  
Business by Installing ‘C Team’**

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***Preface***

*ABC garments is one of the leading apparel manufacturing firms in Sri Lanka which was founded and managed as a family business. They have been successful in the industry and expanded their business to foreign countries by having offices set in multiple countries. In 2016 they formed a C team (CEO, CFP, CPO, COO, and CMO) and restructured the operating team hierarchy. This study analyses how the installation of the C team contributed to the growth of ABC Garments and how the change was absorbed by the workers of the ABC garments. This report also analyses the acceptance of the change in the work environment and how the level of job influences on the acceptance of the change. It also discusses how the middle level and bottom level workers reacted to the change and their position on the change management phases.*

**Family manages business vs C- Team managed business**

In the private business world, the businesses can be categorized into the family business and non-family business. When two or more family members controlled all the decisions of the company it is called family managed business and when a group of non-relatives involves in the operation and the management it is identified as a non-family business. Most of the oldest businesses are began as family businesses. A private report states that from the early 1980s the academic study of the family business as a distinct and important category of commerce has developed. According to the U.S. Bureau of the Census, about 90 percent of American businesses are family-owned or controlled. Ranging in size from two-person partnerships to Fortune 500 firms, these businesses account for half of the nation's employment and half of her Gross National Product.

A study in the UK states Within the UK there are over 4.8 million family businesses functioning, in every possible industry sector but more importantly, over 16,000 of these are medium to large-sized businesses – generating over a quarter of UK GDP and employing over 12 million people. It further states that many of the family businesses are members of IFB (Institute of Family business). IFB was founded in 2001 by a group of families getting together to help each other overcome common challenges. Today, we are the largest UK family business organization and the UK Chapter of Family Business International (FBI). FBI gives our members the unrivaled opportunity to connect with 4,000+ families across the world. FBI provides many opportunities for the current generation and next generation to learn and gain insights into how families do business abroad.

In both family-managed businesses and non-family-involved businesses, there are benefits and issues. The decisions to control as a family or control with the board are critical and risky. In the long term Family businesses may have some advantages over other business entities as their commitment to quality and their care and concern for employees. But family businesses also face a unique set of management challenges stemming from the overlap of family and business issues. Family businesses include multiple members of family members in various business roles, such as husbands and wives, parents and children, extended families, and multiple generations playing multiple roles of stockholders, board members, working partners, advisors, and sometimes as employees too. There is a high possibility to have conflicts in the opinions or on the decisions and in appreciation use of roles might lead the business to failure or detachment of the family members from the firm. In order to succeed, a family business also might need to keep lines of communication open, make use of strategic planning tools, and sometimes engage the assistance of outside advisors as needed to control the situation. When a family rules the organization the employees may not able to communicate or stand for them against any one of the management team members as there can be biased decisions over the problem.

Another issue in the family business is to determine the roles and the qualifications to participate in the business. The way of thinking and approaching the problems will be same if all are having similar type of qualifications since working and following the family business they have to learn from the experience which will be also same for all members. Family businesses often face pressure to hire relatives or close friends who might not have the required talent or skill to make a useful contribution to the business.

Once hired the relatives or the family member to a role it will be hard to fire, even if they cost the company money or reduce the motivation of other employees by exhibiting an inappropriate attitude. A strict policy of only hiring people with the right qualifications to fill the openings will help the company avoid such problems, but only if the policy is followed by every management role in the company.

Another issue reports highlighted is succession. Who is getting what role is a common issue in a family business and it might break the business's continuation if not handled properly. Sudden dismissal of the current generation causes this if no proper plan is defined prior. Apart from the issues between the management team another major issue of family management is employee management. Practicing the HRM (Human Resource Management) policies become questionable in the most family business. If any conflict or issue with any of the management team members, the employee may not be able to get an unbiased solution. In another way even if the organization treats the employees well they might not be able to request the improvement since they need to deal with the owner of the business directly. Though there can be issues the family firms have a lot of advantages such as long-term stability, trust, loyalty, and shared values. The top management is the owners of the firms therefore every decision on the firm will carry commitment and proper analysis. The European study just mentioned also found that family members' long relationship with the firm and deep knowledge of the industry also increased their ability to bet on solid innovation investments. In the family business, every member has clear industry knowledge and they know each and every step of the company from the beginning.

This longevity in the business also partly explains the attitude toward managing assets, according to a report. Leaders of these companies might have lived through decades of economic cycles, so they react to these ups and downs in a way that can handle without a drop. Since the experience passed to the current generation of the leaders directly from the past heads it helps them to drive in the right direction.

An article from *The Economist* says the family businesses adapted well to the technologies while keeping the tradition untouched. Since the dining room conversations move easily into the board room. However, in the view of HRM nonfamily businesses keep the employees happy compared to the family business since most of the HR processes might be neglected when the owners involving in Human Resource Management. HRM is a tool that mediates between the top management and employees, providing both sides their satisfaction. Without a



professional HR manager following activities like appraisals, compensation, professional training, and development of employees might not be handled.

### **Introduction to the organization**

ABC garments are one of the leading apparel manufacturing firms in Sri Lanka. They produce high fashion garments and deliver to the leading markets in the EU and USA. They started operations in 1967 founded with ten pedal-operated machines. He opened a small tailoring shop at Wolfendhal Street in Pettah and they used to stitch shirts. The founder had big dreams for his tailoring shop and in 1972 they exported the first consignment of apparel to the Swedish market. With that, they got attention in the international market for the quality of the product. They began to grow in the Swedish market. In 1982 they acquired one of the garments in Sri Lanka. With this change, the ABC garments group expands into additional export markets and product ranges. The group set up the marketing offices in New York and in the United Kingdom, while fabric and accessory sourcing hubs were set up in Hong Kong and China. Then, in 2005 and 2006, the ABC garments group formed eight more factories and add 4,950 more employees. The group was stable enough to adopt all these changes with healthy financial conditions since all the factories set it up on their own land with no debts.

ABC garments also were following a regional expansion strategy to synergies on the different strengths and opportunities in the Asian region. If we take South Asia the group enters India for market and manufacturing base. It went into Bangladesh by looking at production opportunities. In East Asia, it treats China and Hong Kong as suppliers of fabrics, accessories, and high-quality retail goods. In mid-2008, the company will further expand its presence in India to take advantage of Indian fabrics and embellishments, with the opening of an 85,000-square foot factory in Chennai at the Mahendra World City.

In 2007, the ABC garments family is a large one made up of nearly 8,000 individuals in Sri Lanka. The group said it will take its corporate ethic of family-style caring wherever it goes. Same Year the managing director in an interview stated "There has been a lot of changes, especially over the last two years. But we are still a family company and our employees are part of the family,". He further said that the company holds a strong financial position and as such, does not depend on banks for financing. Today the ABC garments Group has over 10,000 employees and has Offices in the U.K, Hong Kong, and Europe. All the manufacturing plants are located across Sri Lanka and Bangladesh. ABC garments

currently own nineteen state-of-the-art manufacturing facilities that meet all major certifications including Worldwide Responsible Apparel Production (WRAP).

The strengths of ABC garments are providing attention to detail, stringent quality, and customer satisfaction standards. This helped the group to retain world-class clients. The famous clients for ABC garments group are Next, Principals, Dorothy Perkins, Wallis, New York, and Co, Victoria's Secret, and Marks & Spencer among many others. The ability of the ABC garments to manufacture complex garments with value addition and maintain flexibility in the quantities are also supporting the group to retain in the market.

The ABC garments involve operations in the retail, fashion, and design technologies industry and have created a strong marketplace with their quality deliverables. They do Apparel and Lingerie Manufacturing, Digital Printing, Hand Beading, Bra Cup Molding, Heat Seal Transferring, and in-house Pleating. They do have their own plant for digital painting. They have a clear service-based branch/plants located in their facilities and every plant holds the certifications for the facility to maintain the quality.

Including the head office located in Sri Lanka, there are four designing and control officers they maintain to do management and decision activities in London, Germany, and Hong Kong. The head office in Sri Lanka backend the product manufacturing-related operations which act as a design and development center. The center has designers, pattern makers, technical professionals, and a sample room also located there. The design and development center has approximately 600 staff working in it.

The London office of ABC garments handles the design, development, and marketing of the product for UK customers. The team is also involved in CAD designers. The sourcing office of the ABC Garment is located in Hong Kong which processes the sourcing for both fabric and trims. The office located in Germany functions as a Buying office which designs develops and markets apparel product from our European customers.

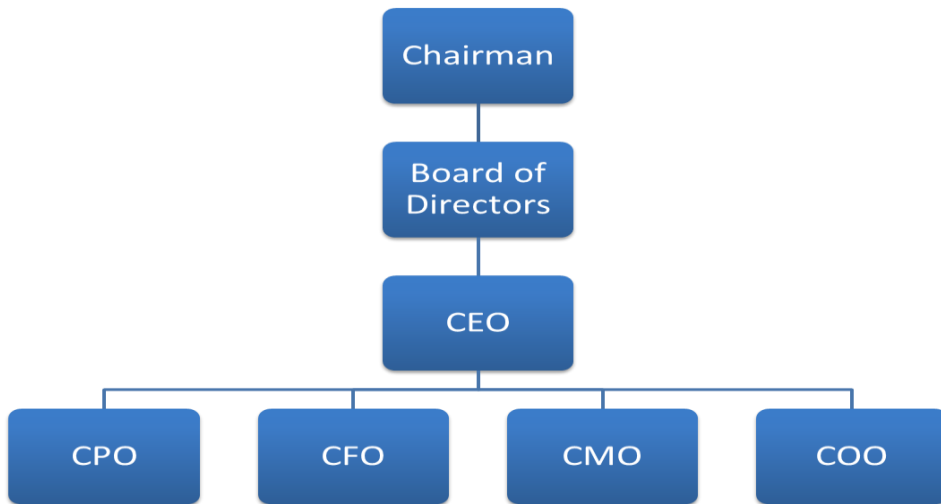
ABC garments have 14 manufacturing plants in Sri Lanka and 1 in Bangladesh. Every plant holds the necessary complaints to maintain the quality of the products. The digital printing plant is located in Sri Lanka. The plant has WRAP Platinum Certification, ETI, C-TPAT certifications.

The value addition activities are performed in a dedicated unit available in the plant located in Sri Lanka. Embroidery, Bra Cup Molding, Hand Beading, Pleating, and Laser Cut are the value-added services performed by ABC garments. Every service has its compliance certifications for the service Embroidery has WRAP, ETI, C-TPAT, Bra Cup Molding has WRAP Platinum Certification, ETI, C-TPAT, Hand Beading has C-TPAT, ETI, BSCI, WRAP Gold, Pleating has C-TPAT, ETI, BSCI, WRAP, and Gold Laser Cut has C-TPAT, ETI, BSCI, WRAP Gold. This ensures the quality of the work they delivered and the way manage the compliance for each service separately contributing to the quality of the final products. Every manufacturing plant is also tagged with separate compliance so the management teams can focus on the plans to improve the quality or obtain the certification for the plants which need an improvement. In any instant, if a quality drop is observed it will impact only on the particular plans therefore management can focus on it to improve the quality. This strategy of management helps them to deliver quality products to the market.

### **Installing C team into the family managed business**

Though the ABC garments group was traveled in the success path when they expand the business and grow fast it is observed the employees' unhappiness due to not having an HRM in the process. In 2006 the group recruits the industry experts and formed a C team. The appointment of the CEO and the subsequent appointments of a Chief Financial Officer, a Chief Marketing Officer, a Chief People Officer, and a Chief Audit and Systems Officer moved the Group into a new strategic era. With the new hires, the team structure of the organization was modified.

With the new hire, the company has implemented the organization's hierarchical structure. CPO (Chief People Officer), CFO (Chief Financial Officer), CMO (Chief Marketing Officer), COO (Chief Operational Manager) reports to the CEO (Chief Executive Officer) and CEO reports to the board of directors. The board of directors reports to the chairman. The figure below shows the organizational hierarchy change observed in the ABC garment as the result of the C team recruitment.

**Figure 1: Organizational hierarchy**

The top-level management of the ABC garments will follow family management in the way previously handled while the C Team will report to them. Though the decision-making power all remain with the family management this change gives a clear contact point on the activities in the organization. With this change, the ABC garments group remained as a family business category with enhanced process management by deploying a layer between the top management and the workers.

With the new organization structure chief people officer to handle HRM activities implemented. Training, development, and other HRM activities are handled with the dedicated head. With the proper reporting hierarchy, managing day-to-day activities became easy. Unlike the previous structure, the new change might facilitate the workers to get their work done as there is a clear contact point available for them. When the workers directly work with their supervisor and when the supervisor handles their leave request, performance appraisal there is a possibility that the report might contain biased information of the employee. When the leave requests are also handled by the supervisor the view from the employee might not be taken into consideration when there is a production priority task. If a proper process handles the need of the employees as per the HRM process, the negotiations can be handled smoothly with the supervisor and the production plant employees.

The job role change requests, training requests the production plant employees might have struggled on communicating or requesting via their supervisors as the supervisors are the direct superior to them in the role hierarchy. When there is a mediator it has become easy for the production plant employees to reach them for support. When supervisors perform dual roles, handling the technical and non-technical function of the employee when there is a work overload the possibility of neglecting the non-technical function is so high since that results not impacting the production where the technical function task impact the production which will be visible signs in the reports. When there is a dedicated role the tasks of the supervisors and managing becomes easy and the need for the frontline workers is also satisfied. It seems though there are HR facilities the level of interaction or control of them on the employees were lesser than the power their supervisor has. With the new structure, HR gets the role of the negation between the factory workers and supervisors.

The low-level management the supervisors, planning officers who plan the day-to-day activities of the plants can focus on the planning and technical activities while the HR department can facilitate the staff management or skill request for them.

Chief Financial Officer is also one of the critical roles which are introduced with the new organization structure. The CEO, CFO, CPO, COO, and CMO perform a dedicated role in a specific area of the operation. When they meet the board of directors at the decision-making meetings they can bring the needs, improvements, and observations from their segment for the attention of the decision-making team. This may help the decision-making team to get a clear detangling and a better insight view of each area. While growing fast and expanding the business they might not be able to involve in the analysis of every department in detail the way the C team can do. Though the decision-making team also highly qualifies experienced team but the experience of them limited to the particular business only. The C team has experience from multiple disciplines so the addition of them is believed to contribute to the process improvement of the organization.

### **Post C-Team installation changes in the organization**

Just after the organizational structure change, ABC garments group installed a centralized ERP system. Centralized ERP system relays real-time data. Therefore, ABC group can ensure that accurate information is shared on a common platform allowing for informed decisions to be made at every level of the organization.

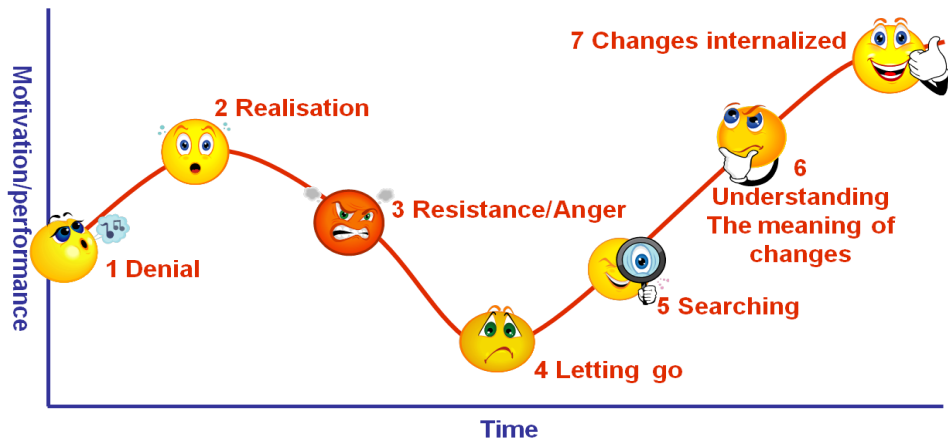
Being a garment industry the machine operators and garment workers are the key resources the organization needs to focus on. Implementing an organizational structure gives the clear reach points for them to open their needs or convey their opinion. Experienced machine operators or garment workers are the assets of the organization. Retaining skilled labor and reducing absenteeism by maintaining a healthy relationship with the employee is a challenging task in the industry. With the dedicated C team, the expectation was to ease the day-to-day activities for the factory workers and improve the visibility of the decision-making team on the issues and the growth of the organization and support low-level managers to make their plan into action without any barrier.

This study intended to find how ABC garments handle the change and how the employees reacted to it. ABC garments installed the C team in between the Decision-Making team (Board of directors) and low-level management. C team has given a set of experts below them to automate the tasks. The new hierarchy was introduced to the workers at every level so they can know their contact points.

When a change happens it is not always looked at positively. Few changes which made higher expectations brought disappointments we can relate to many real-world problems. Few Changes or change decisions are hated by the directly impacted populations without even any reason in some cases. As per the studies on the changes, if the change is well planned and formulated, it can produce positive results but even despite planning, change is hard to incorporate, accept and appreciate.

### **Level of absorption of the change in middle and bottom level of the employees**

Kubler-Ross Change Curve is one the most reliable tool to understand change and the stages associated with it. Elisabeth Kubler-Ross was a psychiatrist who described the five stages of grief of terminal patients in her book *On Death & Dying*. In 2003, Deone Zell from the California State University applied the model in a paper titled *Organizational Change as a Process of Death, Dying and Rebirth* in which she showed that large organizations staffed with specialized professionals are less likely to accept Change easily. After this research the Kubler-Ross Change Curve became a commonly used tool to understand the change. The idea of the Kubler-Ross Change Curve shows in the diagram below.

**Figure 2: Kubler-Ross change curve**

The denial and realization are the stages involved in the first phase of the change. A study explains the reason for the first phase behaviors are lack of information, fear of the unknown, fear of doing something wrong, being comfortable with the status quo, feeling threatened, and the fear of failure. When a sudden change happens to move from a well-known current situation to an unknown situation causes this behavior. In ABC garments when the change was introduced in 2016, the behavior of the workers might fit into these stages.

The anger and letting go/depressed stage is the stages falling into phase 2 of the change. At this phase, the possible reasons analyzed as suspicion, skepticism, frustration, apathy, isolation, and remoteness. At this stage the outcome of the changes might have reached the workers but when that change was not the expected ones they feel this way. If the workers are expecting a change and if the change shows a hint of the expected change then at these level employees will show positive behavior. In ABC garments the factory workers seem to feel this change positively but the middle managers showed a confused state.

With the new C team, the lower management and middle management get responsibility for reporting to the C team. C team in any firm expects to satisfy the top level management/decision-makers and make the middle or lower management task easy. But they do encourage the reporting mechanism from the middle and low-level management and RCA (Root Cause Analysis) for every issue observed in the operations. When an organization introduces a C team to the hierarchy the way the middle managers/low manages to take this might vary. Some might feel the additional task as overloading activities as they have not done them before.

Meanwhile, for the factory workers, it will longer than the expected time to understand the change. Considering the educational level and exposure they have in the business industry and its changes to get the change and make use of it will take some time and proper guidance required.

There is a high possibility for them to have a longer first phase. For middle and lower management, the possibilities there to have longer phase two as they are one going to act directly in the change and they are the ones going to execute the suggestions of the C team. The direct communications they had with the decision-making team or closer to the decision-making team is no more and they have to communicate via another layer to the management.

The last phase the searching, understanding, and accepting the change. The key thoughts that determine the behavior of this change are exciting new opportunities, relief that the change has been survived, and impatience for the change to be complete with the feelings of acceptance, hope, and trust. This is the phase where we can measure the success of the change since at this level only all the workers are aware of and accepted the change. At this stage, the major decisions by the change are made and implemented. When the ABC garments reach this level all levels of employees will be comfortable with the change and they will accept the changes fully with trust.

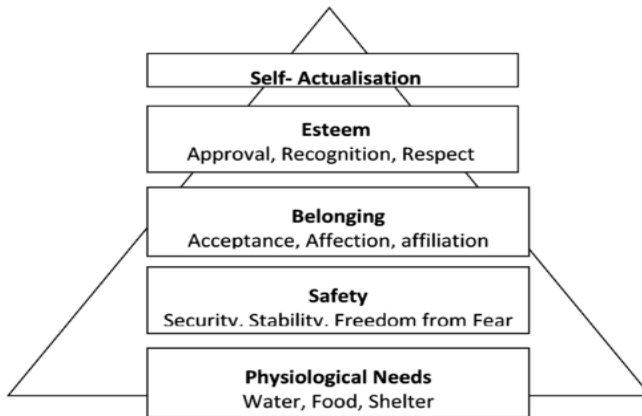
As per Kubler-Ross Change Curve and the conversation with some of the employees in the firm the ABC, garments fall into the Second Phase of the change more towards letting go/depressed for the lower and middle-level management and later phase one getting know the change for the factory workers. Due to their educational level, lack knowing their rights knowledge they stayed in the first phase for longer. They seemed to be holding the positive hope with this change when they fully absorb where the middle and low level seems trying to express the unhappy behavior.

However, ABC garments show positive growth after this change with improved processes and with the introduction of SAP as a company as a whole. They preserved their family business model by introducing the c team below them. Even after the change decision-making power and controls remains with the board of directors. However, the theories/studies suggest the use of a proper process for managing the operations, finance, and Human Resources is necessary to run long term to keep the workers happy and motivated.



As per Maslow's need hierarchy theory self-actualization is shown when the needs of human beings are satisfied and that stage brings the best performers out from themselves.

**Figure 3: Maslow's need hierarchy**



The success of the garment industry is based on quality and meeting the on-time delivery which requires the top skilled laborers who give their best performance. To trigger them as a high performed employees their issues need to be addressed. By implementing the process to handle the workers, ABC garments might perform better than now in the near future once they reach the final stage of change theory.

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