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Article abstract

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Five Best Management Practices in High Performing Companies in the Trading Sector of Sri Lanka

by

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This paper identifies and examines five best management practices of high performing companies in the trading sector. In view of the importance of trade in the gross domestic product of Sri Lanka, an understanding of such practices is critical for creating sustained competitive advantage.

INTRODUCTION

According to the *Annual Report* (1997) of the Central Bank of Sri Lanka, the wholesale and retail trade accounted for 22 percent of the national income. Of the total value added in the trading sector, imports and exports accounted for 9.6 and 3.5 percent respectively, while domestic trading contributed 8.9 percent. According to the *Handbook of Listed Companies* (1997), published by the Colombo Stock Exchange, the capitalization in the trading sector was Rs. 2,863 million, accounting for nearly 3 percent of the total market capitalization in 1997. The importance of trading sector is thus apparent. This paper identifies and examines five best management practices of high performing companies in the trading sector in Sri Lanka.

COMPANIES IN THE SAMPLE

The sample consisted of five companies out of fourteen listed under the Trading Sector in the Colombo Stock Exchange. The sample companies comprised of Singer (Sri Lanka) Limited, Richard Pieris Exports Limited, James Finlay (Colombo) Company Limited, C.W. Mackie & Company Limited and Hayleys Exports Limited. These were among the companies which had high performance rankings according to the Lanka Monthly Digest December 1997. A profile of the sample companies is given in Table 1.

According to the data given in Table 1, four of the companies in the sample were engaged in both manufacturing and trading of value added products originating from the plantation agriculture sector. During their long history the sample companies or their parent companies have acquired managerial and resource capabilities which have been blended with the spirit of entrepreneurship enabling them to venture into value added production for export. One might therefore note that the companies in the sample may not characterize the features of typical Sri Lankan trading businesses which are mostly family-owned.

SEARCH FOR BEST MANAGEMENT PRACTICES

The present study is an attempt to understand the best management practices of high performing companies in terms of their possible contribution to customer satisfaction, internal process efficiency, performance improvement and future development. In identifying what the companies do best and their likely impact on the four areas mentioned above the research team relied largely on qualitative data gathered through interviews with the CEOs and other members of the senior management of the sampled companies. Data have also been collected from company annual reports and other relevant records.

In the course of the study the research team was able to identify several good management practices in the areas of marketing, human resources management, industrial relations, product and technology development, organizational controls and environment management. While it was not possible to assess in precise empirical terms the contribution of these practices towards customer satisfaction, improvement of internal process efficiency, current performance and future development of the organizations it was possible to arrive at some broad tentative conclusions regarding what appears to be the most effective and therefore best management practices. The five best management practices are summarized in Table 2.

Each of the five best practices enumerated in Table 2 had implicit objectives or purposes which were linked to organization's concerns to be more efficient in terms of resource utilization and be effective in terms of creating value for the customer as well as profitability and long-term growth. Let us briefly consider some evidence regarding best practices of these companies and their implications.

Table 1: A Profile of the Sampled Companies

Company & Year Established	Main Product/ Business	Value of Turnover Rs. Mn.	Profit before Taxation Rs. Mn.	Profit after Taxation Rs. Mn.	Earnings per Share Rs.	Net Assets per Share Rs.	Market value per Share Rs.
Singer (Sri Lanka) Ltd. (1877)	Retailing of consumer durables	3-65.47 (1997)	245.3	164.23	7.83	38.99	51.00
Richard Pieris Exports (1983) parent company founded in 1932	Manufacture and export of rubber food jar sealings	305.25 (1997)	49.2	45.1	3.35*	29.33*	20.00*
James Finlay	Manufacture	1234.7	119.7	102.4	7.07	82.81	-

(Colombo) Co: Ltd. (1893)	and export of value added tea	(1997)						
C.W. Mackie & Co. Ltd. (1923) Originally established in 1900	Manufacture and export of value added rubber and coconut products; Import and distribution of food items	1623 (1998)	7.95	(9.7)	(1.78)	-	-	
Hayleys Exports Ltd. (1987) parent company founded in 1878	Manufacture and export of value added coir products	225.3 (1997/98)	57.19	47.95	13.74	44.09	39.25	

Source: Annual reports of the respective companies

*Refers to the Group of companies

Table 2: Best Management Practices of the Sample Companies

Focus	Best Practice
I External Customer	Personalised long-term relationship with the customer
II Internal Processes	
a. People	Taking care and being fair
b. Human resource development	Develop care-skills and recognize achievers
c. Products/Technology	Outsource business operations and add value to partner's work
d. Process controls	Integrate diagnostic and interactive controls through a blend of technical and human systems.

BEST MANAGEMENT PRACTICES

The study adopted four qualitative criteria to determine best practices in management. The criteria included the extent of value addition to customer, contribution of the practice towards improvement of internal processes efficiency, contribution of the practice towards improving organizational performance and the possible effect of the practice on future development of the organization's business.

The Customer Perspective

Customer satisfaction through value addition was a major concern of the five companies surveyed. The practices relating to organization's interface with the customer suggested that customers as well as the organization had benefited by the practice of promoting personalised long-term relationship with the customer. Hence it was identified as the best practice in the area of customer relations. Some attributes of this practice and their implications are discussed below.

As a retailing company *Singer (Sri Lanka) Ltd.* has made a range of consumer durables as well as agriculture implements available to customers through a well-established network of distributors consisting of nearly 100 Singer shops, 100 exclusive dealers and nearly 300 independent dealers spread throughout the country. The company has also introduced a one-stop shopping complex called the "Mega Shop" in Kandy which provide a new buying experience to the customer. Under its mission "To improve quality of life by providing comforts and conveniences," Singer (Sri Lanka) had adopted the concept of "family company" and has been able to establish a long-term personalised relationship with the customer mainly through its strong distribution system and one hundred years old hire purchase scheme built around the company's main product, the Singer sewing machine. During 1997, the company sold 8,000 sewing machines under the interest-free hire purchase scheme. Singer (Sri Lanka) expects its shop managers to be personally close to the customer. For this purpose the shop managers are appointed from the area itself and are not normally transferred.

The company has developed a database on the customers covering over 90,000 individuals who have purchased items under the hire purchase scheme. It was observed that the database on customers had promoted repeat sales as well. Each Singer shop has skilled employees to undertake service and repair work as a service request is expected to be attended within one week. All repair work done are entered into the database for easy tracking. The company's area managers carry out *ad hoc* focus group discussions to get a direct feedback from the customers about the service quality.

Singer (Sri Lanka)'s approach to the customer has contributed to add value to customers in several ways. The customers enjoy benefits such as easy access, wide choice, easy payment terms, reliable after-sales service and comfortable shopping environment. They also have confidence in dealing with the Singer shop manager who is personally known to them.

The company's interface with the customer on long-term basis has contributed to improve internal process efficiency. The company has adopted a policy of continuous improvement in customer related services, developed employee skills to meet the customer needs and introduced efficient credit control and monitoring systems. The opening of Singer Mega Shop in Kandy had contributed to enhance Singer (Sri Lanka)'s market presence. As a whole, Singer (Sri Lanka.) has achieved business success-a 13.7 percent increase in turnover, 5 percent increase in profits and 14 percent increase in net current assets in 1997.

Richard Pieris Exports Limited which is in the business of manufacturing and exporting rubber food jar sealings reaches its customers through LAB Trading in the Netherlands with whom the company has been having a long-term business relationship. LAB Trading handles the entire marketing function in Europe on behalf of Richard Pieris Exports Limited and this arrangement is based entirely on personal relationship between the company CEO and the trading partner. There is no formal agreement about mutual obligations. However, the company's relationship with the trading partner during the past 14 years has worked well in reaching the customer effectively. To maintain its competitiveness the company gives attractive prices to the customer, meets delivery targets almost 100 percent and ensures quality in terms of ISO 9000 standards. The CEO of RPEL meets the buyers during his visits abroad and the buyers in turn visit the RPEL.

The practice of reaching the customer through a stable and reputed trading partner has added value to customer in several ways. The customer comprising large scale buyers of rubber food jar sealings has the convenience of dealing with a single agent in Europe who informs RPFL the customer requirements and gets the product delivered to the customer on time. The customer also gets a high quality product at a low price.

In terms of internal process efficiency improvement the current practice of reaching the customer had contributed to improve operational efficiency and quality to a considerable extent. The company works on a three month production planning cycle implemented through three shifts a day with built-in mechanism for quality control. During the past year RPEL has maintained machine efficiency rate of 96.8%, production efficiency rate of 90.3% and capacity utilization rate of 83%. The average reject rate has been around 3-5% per month. The company has developed quality improvement systems and achieved ISO 9000 certification.

Richard Pieris Exports Limited has been able to diversify its business operations to value added rubber products making use of company's contacts with foreign buyers and suppliers. The diversified products included dipped latex products [Playcraft Lanka (Pvt.) Ltd], natural foam rubber sheets (Richard Pieris Natural Foams Ltd), mineral products [Micro Minerals (Pvt.) Ltd], Plastic water tanks produced for the domestic market (Plastishelis Ltd) and compressed rubber shoe soles [Arpitalian compact soles (Pvt.) Ltd]. The diversification programme has laid the foundation for a stable future for the company giving it greater competitive advantage.

Hayleys Exports Limited which is in the business of manufacture and export of value added coconut fibre products has adopted the practice of dealing directly with the customer without going through agents. The customers are personally known to the company and some of them have been dealing with the company for the past 15 years. Heyleys Exports Ltd has the advantage of accessing Hayleys office in the Netherlands which handles invoicing and credit facilities on behalf of Hayleys Exports Ltd. The company executives visit the buyers regularly to obtain feedback. The buyers also visit the Hayleys Exports factory to get a first hand experience.

About 70% of the company's exports come under the value added fibre products category while the balance come under the traditional fibre products category (metress and Bristol fibre) which have been exported to a few buyers in the U.K and Europe. The relationship with some of these buyers is as old as 40 years and the continuity of traditional fibre exports by the Hayleys Exports shows the concern of the Hayleys Group towards its "old friends." In fact, the approach of Hayleys Exports Ltd to its customer had contributed to customer value addition basically in three ways: the customer gets a high quality product at comparatively low price, he is assured of timely delivery and he is in a position to communicate directly with the producer and get what he wants.

In terms of effects on internal process efficiency, the relationship with the customer had pushed the company towards value added products and to look for cost reduction methods. The company has been able to develop several value added products and register about 15 patents giving the company a competitive edge over its foreign competitors. Hayleys Exports has been very successful in bringing down costs by adopting the strategy of outsourcing manufacturing operations to local fibre mills. The company has also obtained ISO 9000 quality certification and has introduced several improvements to technology. The most important technological improvement being the introduction of a modern de-fibreing machine with the assistance of an Indian engineering firm. With the new machine the company has gained improvements in labour productivity where the work done by eight men earlier is now being done by two women workers.

The practices related to external customer seem to have made a significant contribution towards the future of Hayleys Exports Ltd.. The company has entered into modern high-tech operations through partnership with an European company which led to the establishment of a subsidiary company Bon Terra (Lanka) Limited to produce echo-fibre products for export. During the past year the total value addition of Hayleys Exports stood at Rs. 52.8 million and the company has paid dividends to shareholders at the rate of 20 percent.

James Finlay Company whose core business is manufacture and export of value added tea considered itself in partnership with the customers, suppliers and other stakeholders such as trade unions. James Finlay's approach to its customer comprising primarily of agents in over 30 countries is based on long-term personalised relationships. The agents buy value added tea from the company and handle wholesale and retail distribution of the product. The company is in direct contact with the agents through regular visits to the agents by James Finlay's senior managers and reciprocal visits by the agents. The company believes in maintaining close relationships with its regular customers even at the expense of short-term disadvantages. The relationship with some agents dates back to 1959.

The existing relationship with the customer has contributed to customer value addition by way of making a high quality product at the right price made available to the customer at the right time. Especially in meeting delivery targets the constant interaction with the agents has helped the company a great deal. James Finlay Company is highly concerned

about its reputation built over 100 years of company history and therefore takes special efforts to meet the quality standards applicable to different markets. The company has assigned about 5- 6 countries to each Tea Taster who has specialized in the quality requirements applicable to those countries. The Tea Tasters are rotated from time to time in order to ensure that each Tea Taster acquires skills in tasting teas exported to different markets.

In terms of improvements in internal processes a major impact created by James Finlay's approach to the customer could be seen in the tea manufacturing and warehousing complex at Welisara built at a cost of Rs.350 million. This new complex set a benchmark for the industry as it has been built after studying similar complexes in Italy, U.K, Japan and Kenya. The manufacturing operations of different types of value added tea carried out at Welisara are supervised by marketing specialists as well. These marketing personnel are expected to fit in to the role of "Eye of the consumer."

James Finlay company has successfully developed its own brand Alwazah tea under Swan mark, which is marketed by the agents mainly in the Middle East. The company's investment of Rs.500 million in establishing a factory to produce instant tea, as well as backward integration by taking over the management of two plantation companies could be considered as future oriented measures that are likely to enhance its competitive advantage. The company also invests about 10% of its annual turnover on research and development, which is part of James Finlay's overall strategy. This has enabled the company to develop new products as well as in-house capability.

The approach of *C.W Mackie & Company* to the external customer was characterized by the company's concern to be in direct contact with the customer who is the end user of company's value added rubber (T. S. R.) and desicated coconut products. In places where markets are not well organized the company reaches the customer through the agents. A subsidiary of C.W. Mackie & Company, the Korea-Ceylon Foot-ware Ltd, manufactures canvas shoes which are marketed through distributors. The company produces according to distributors' specifications who market the product under their own house-brands. The company also deals with a large number of foreign and local suppliers connected with different product lines.

C.W. Mackie has maintained long-term relationships with its customers, distributors and suppliers. These relationships have been strengthened through regular visits abroad by company's senior managers where direct communication with the customer takes place. The company also promotes visits by the buyers so that greater confidence and understanding are developed. C.W. Mackie's interface with the customer has contributed to customer value addition by way of timely delivery, availability of high quality product at competitive prices, prompt payments to suppliers, and ability of the company to meet orders with a limited lead time.

In terms of internal process improvements the present practices in regard to external customer have resulted in rationalization of management through structural reforms leading to empowerment of divisional heads. The company has developed in-house technical skills as well as trade negotiation skills and introduced efficient systems for

credit control applicable to domestic trading. Since the company is not marketing a branded product but relies mainly on established relationships with buyers and suppliers, there has been no emphasis on sales promotion through advertising. However the relationship of the company with its Danish counterpart has enabled the company to set up a modern state-of-the-art factory for bottling of Sun Quick fruit concentrate for the domestic market.

Internal Processes

The best management practices pertaining to internal processes are discussed in this section under four dimensions. These are managing organization and people interface, human resources development, products and technology management and process controls.

Organization and People Interface

In managing the interface between the people and the organization each company has adopted more or less similar practices which could be summed up as "we take care of our people and be fair to them". Thus the best practice related to management of people could be stated as "Taking care and being fair."

The CEOs of the companies in the sample shared the belief that people constituted a major asset. In Singer (Sri Lanka), the CEO believed in creating a people friendly culture which was characterized by good pay and fringe benefits, special attention to employees in distress due to family problems, promotion of lifetime employment in the company, recognition of trade unions and adoption of grievance procedure. An open door policy has been adopted by the CEO to ensure fairness. In Richard Pieris Exports Limited employee participation in designing and implementing welfare programmes has been achieved through an Employees Council. Regular meetings of the Employees Council with the participation of the CEO and the managers have enabled the employees to contribute their ideas for improvement of not only employee welfare but also productivity and working environment. The company adopted a fair employment policy under which suitable youths from disadvantaged social background have been recruited through interviews. The company has helped the employees in their children's education. According to company sources an officer has been appointed to supervise the welfare of contract employees deployed by the contractors to whom the company has outsourced certain business operations. The management of RPEL recognized the trade union from the inception which has resulted in a cordial relationship between the management and the union. The CEO believes in an open door policy as a means of ensuring fairness.

In Hayleys Exports the number of employees had been reduced significantly due to outsourcing of production operations. The company adopted a policy of remunerating the employees according to their productivity. Thus more efficient workers were in a position to earn more than the normal wages. The company has an employee share allotment scheme as well. The CEO observed that the company has helped the former employees to secure employment in fibre mills to which the company had contracted out operations. The company has a collective agreement with the trade union under which the terms and conditions of employment have been determined. Despite the reduction of its workforce

due to outsourcing of operations, Hayleys Exports has maintained cordial relations with the trade union.

According to the CEO of James Finlay Company, the employer-employee relations were based on the concepts of trust and loyalty to the organization. The culture of James Finlay is characterized by good pay and fringe benefits, profit sharing, bonus, holiday allowance and compulsory vacation leave, and a medical scheme for the employees and their families. The company also promoted life-time employment. According to the company sources, there was hardly any employee turnover at James Finlay and there were employees who had served the company for more than 30 years.

The management of C. W. Mackie & Company has introduced a performance incentive payment based on a composite index under which employees were able to earn a lump-sum according to the performance of each profit centre. In addition, there was a profit sharing scheme as well as a non-discriminatory bonus payment. Thus the employees of C. W. Mackie & Company enjoyed the benefit of receiving three lump-sum payments a year in addition to their salaries. The CEO emphasized the social responsibility of the company to look after its employees and the need to achieve productivity through people as the reasons behind these payments. In C.W. Mackie & Company a unique feature of industrial relations was the Code of Conduct Agreement signed by the trade union in place of the traditional collective agreement. Under the Code of Conduct the trade union has agreed to support the company to do away with the cost of living allowance and promote the payments based on productivity.

The practices adopted by the five companies in taking care of the people and being fair to them seem to have paid rich dividends. Most of these practices addressed existence and relatedness needs of the people and have contributed to employee satisfaction as well as commitment to the organization. In terms of value addition to customer and contribution to current performance, the caring culture and fairness in dealing with the employees as well as trade unions have helped the organizations to meet the customer needs and maintain high productivity levels. There were peaceful industrial relations in all the companies. Also, employee absenteeism and turnover rates were low. The profits earned by the companies except in the case of C.W. Mackie & Company have increased compared with the last financial year.

Human Resources Development

The CEOs of the companies surveyed shared the view that corporate responsibility of the companies is to help people to grow by developing their competencies through training. They also believed that high performers should be recognized and rewarded through career advancement opportunities. Thus the best practice in the area of human resources development could be summed up as *Develop core-skills and recognize the achievers*.

A strong emphasis on training of employees at all levels was observed in Singer (Sri Lanka) Limited and James Finlay Company, while in Richard Pieris Exports on-the-job as well as off-the-job training opportunities were available for managers and the workers. The CEO of RPEL stated that several workers have been given overseas training

opportunities in the past. In Hayleys Exports Limited the managers benefited from the training programme implemented by the parent company for the executives, while Hayleys Exports provided skills training for its workers on continuous basis. In C. W. Mackie & Company managers as well as clerical level employees were given systematic training inputs in class room situations and outside as well. The company has recruited a batch of graduates as management trainees and provided them a one year training in each profit centre of the company.

A unique feature of human resources development programme at Singer (Sri Lanka) was the General Management Programme for selected "high flyer" managers who intended to develop their core competencies including leadership. The company also implemented several skill building training programmes for middle and junior managers and clerical and shop-floor level employees. The company reviewed the performance of the employees annually. Although performance appraisal has given mixed results, the company has identified the best performing managers by classifying the executives under three categories: outstanding, excellent and good. Those judged to be outstanding are groomed for top management positions. The employees are rewarded financially as well based on their performance.

In James Finley Company training in core skills was compulsory for everyone including the CEO. A major feature of James Finley's human resources policy was the recruitment of school leavers for executive trainee positions and systematic training and coaching of them under the guidance of senior managers. The company believed in developing a strong team of professionals in core business areas and inculcating the company values in them, so that they would look for a long term career in the company. It was revealed during the study that almost all members of the top management including the CEO had started their career as young management trainees in the company.

A feature common to the five companies in the sample was the emphasis given to link training with performance evaluation and career advancement. Since all the companies have adopted a policy of promoting continuously high performing employees to higher positions, one might observe that the present practices in regard to human resources development may have contributed to employee motivation and productivity. According to the views of the CEOs, the current practices pertaining to human resources development and career advancement have contributed to enhance organizational performance and customer value addition.

Products and Technology Management

Among the practices adopted for managing production and technology related processes, four of the sample companies engaged in manufacturing operations have adopted the practice of outsourcing production operations to partners outside the company. Under this practice some companies have contracted out ancillary operations such as packaging while others have contracted out part of the core production operations. In both cases the companies have taken measures to add value to partners' operations by providing technical assistance, quality control supervision, initial capital or working capital in some instances and guaranteed purchase of output that meets the quality standards. In view of

the advantages afforded the best practice in production and technology related processes was identified as *outsourcing business operations and value addition to partners' work*.

Of the four companies engaged in manufacturing for export, Richard Pieris Exports outsourced ancillary activities that are labour-intensive to several contractors in surrounding villages. The company provided technical assistance, quality control supervision and basic skills training to these small enterprises. RPEI has been able to achieve cost savings due to this practice. James Finlay company outsourced its packaging operation to a partner who has been helped by the company to install required machinery. The company supervised the quality of work and had helped the partner to overcome working capital shortages. It was observed by the Director of Marketing that the partner took the initiative to add value to the tea pack by introducing a laminated tea pack. In C. W. Mackie & Company the bottling of Sunquick squash has been outsourced to a contractor. The company had provided the machinery, quality control supervision and distribution facilities. This has enabled the company to enter the market at comparatively low cost and gain lead-time to establish company's own bottling plant.

The company which seems to have achieved most advantage through outsourcing is Hayleys Exports Limited which has outsourced about 70 percent of production operations to selected coconut fibre mills. Through this process the company has been able to produce value added coconut fibre products, cutting down 1/3rd of overhead costs. Hayleys Exports had directly employed about 100 workers while the fibre mills which carry out operations for Hayleys Exports have employed about 2000 workers. In addition to savings on labour costs, the company enjoyed the benefit of industrial peace. Due to outsourcing the company had to strengthen its quality control and supervision of the work handled by the outside parties. The value addition to partner's operations take place through technology improvement by providing advanced machinery, quality assurance and training. The process has added value to the customer as the company is in a position to make a high quality product available at a low price.

The practice of outsourcing has given cost saving advantages to the companies although it involved extra supervision and quality control. Also the companies have been able to concentrate more on their core business leaving the ancillary operations to reliable partners.

Internal Process Controls

Budgeting, target setting, control and monitoring with computer aided information systems constituted part of the technical system of the organizations studied. The fact that sample organizations had their control systems in place indicated the reliance on diagnostic controls. However, it was observed that the companies surveyed did not leave the control function to the technical system alone. They also adopted interactive controls through formal and informal meetings; often the CEOs and divisional heads visited the work place and interacted with the people to satisfy themselves that things were moving well. Thus, in regard to internal process control the best practice identified was integrating diagnostic and interactive controls through a blend of technical and human systems.

The study revealed that each company had monthly performance targets based on the annual budget, and performance was reviewed through monthly accounts and daily or weekly progress reports. In Singer (Sri Lanka) net income and cashflow were reviewed monthly while the market share was reviewed quarterly. In C. W. Mackie & company monthly accounts, sales and cashflow statements were scrutinized by the CEO. In James Finlay, Richard Pieris Exports, and Hayleys Exports, performance was reviewed daily against the targets. An important feature of process controls in these organizations was that CEOs and divisional heads did not go only by what the diagnostic controls indicated; they interacted with people frequently to find out whether there were problems that needed immediate attention. The integration of diagnostic and interactive controls had contributed to a high degree of employee alertness, improvement in quality and service delivery, thereby adding value to customer. In terms of internal process improvements the practice of integrating diagnostic and interactive controls had helped the CEOs to empower their subordinates while focusing on weak links. The interaction of the CEOs and senior managers with their customers and suppliers also helped in improving current performance and taking proactive decisions that have a bearing on the future of the organizations. Thus, the overall impact of this practice towards efficiency and effectiveness appear to be significant.

AN ASSESSMENT OF BEST MANAGEMENT PRACTICES

An attempt was made earlier to illustrate the best management practices in terms of their contribution towards customer value addition, internal process improvement, enhancement of current performance and future growth of the organizations. A further amplification of the analysis is possible with the application of Balanced Scorecard (BSC) technique developed by Kaplan and Norton (1992). Under this technique one could assign a score out of 100 points to each practice on the basis of their contribution to organizational efficiency and effectiveness. In order to assess each best practice on the BSC format one needs several measures to judge the possible contribution of each practice towards customer value addition, internal process improvement, enhancement of current performance and future growth of an organization. Leaving this detailed study for the future an attempt was made to assess in broad terms as to how each best practice is likely to fare in terms of their contribution to the four dimensions of assessment. Table 3 provides the overall importance of each best practice across the five organizations.

Table 3: Overall Impact of Best Management Practices on Sample Companies

Company	Overall impact of best practices				
	BP1	BP2	BP3	BP4	BP5
Singer (Sri Lanka) Limited	High	High	High	Low	High
Richard Pieris Exports Limited	High	High	High	Medium	High
Hayleys Exports Limited	High	Medium	Medium	High	High
James Finlay (Colombo) Co. Ltd.	High	High	High	High	High
C.W. Mackie & Co.	High	Medium	High	Low	Medium

High = above 75%, Medium = 65 - 75%, Low = Below 65%

According to Table 3, best practice No. 1--long-term personalised relationship with the customer--has had a high overall impact on all the five organizations with respect to the four dimensions comprising customer value addition, internal process improvement, current performance and future of the organization. Best practice No. 2--taking care of the people and being fair to them--has had a high impact on all the four dimensions at Singer (Sri Lanka), Richard Pieris Exports and James Finlay company. The effect of this practice on the overall performance of Hayleys Exports and C. W. Mackie & Company was considered to be medium. Best practice No. 3--develop core-skills and recognize the achievers--has had a high impact on four out of five companies surveyed. The impact of this practice on Hayleys Exports was considered to be medium as major part (70%) of the production operations of the company had been outsourced.

Best practice No. 4--outsourcing operations to partners and adding value to partner's operations--has had a high impact on Hayleys Exports and James Finlay Company as these two companies worked closely with the partners and have contributed to add value to partners' operations while introducing internal systems and procedures to improve quality of the partners' work. In Singer (Sri Lanka) one did not find outsourcing of business operations to a significant extent, while in C. W. Mackie & Company outsourcing of "Sunquick" bottling operation was seen as a temporary measure. In Richard Pieris Exports outsourcing of ancillary operations was high as it involved developing systems and procedures for quality assurance. However, adequate evidence was not available to examine how far this practice had contributed to customer value addition. Hence the overall effect of this practice was considered to be medium with respect to Richard Pieris Exports Limited.

Best practice No. 5--integrating diagnostic and interactive controls--has had a high degree of impact on four of the five organizations and a medium level of impact on C. W. Mackie & Company. In this company it was observed that diagnostic controls such as operation audits and credit controls were given more emphasis and interactive controls were more formal than in the case of other companies in the sample. In Singer (Sri Lanka), Richard Pieris Exports, Hayleys Exports and James Finlay, the CEOs had adopted the practice of frequent interaction with managers at different levels as well as with frontline employees to keep track on operations. Both formal and informal methods of control and feedback with respect to critical variables had enabled the CEOs to achieve results in key areas.

BEST MANAGEMENT PRACTICES: A COMPARATIVE PERSPECTIVE

The best management practices discussed above seem to have some degree of closeness to the emerging world trends in management. In their study of management practices of best-run American companies Peters and Waterman (1982) observed that, being close to the customer and achieving productivity through people were among the key attributes of excellent American companies. According to the authors, these companies had believed

that learning from the customer and exceeding their expectations were critical to organizational success. Similarly, these companies also developed a vast "extended family" atmosphere at work by taking care of the people and developing their capabilities.

For purposes of comparison the research team studied the management practices of a few multinational subsidiaries in Sri Lanka, one of which was SmithKline Beecham, a subsidiary of a British Pharmaceutical multinational which was in partnership with a Sri Lankan company. The management practices adopted by SmithKline Beecham were found to be highly formalized. Even in the area of organization and people interface SmithKline Beecham had precise ways of doing things referred to as "the Simply Better way ". Despite the system orientation associated with the MNC culture, SmithKline Beecham promoted relationships with their local distributor network to a high degree. The company also adopted a policy of taking care of its people and invested about one million rupees annually in developing the core-skills of the employees. Thus, one might find that the best practices of management identified during the study of a sample of successful trading companies in Sri Lanka have some resemblance to emerging global trends in management.

The practice of outsourcing business operations which developed in Sri Lanka with increased Japanese influence is another aspect that has been receiving increased attention internationally. Nishiguchi and Brookfield (1997) viewed sub-contracting as a system of collaborative manufacturing leading to several advantages. In the present study, outsourcing business operations to partners was considered as one of the best management practices among the sampled companies.

In the area of organizational controls, one could observe that increasing attention has been paid to harmonizing the technical system and the social system in organizations by integrating diagnostic and interactive controls. Simons (1995) observed that such integration would be required in an age of empowerment. According to the findings of this study, integration of diagnostic and interactive controls was one of the best management practices among the sample companies.

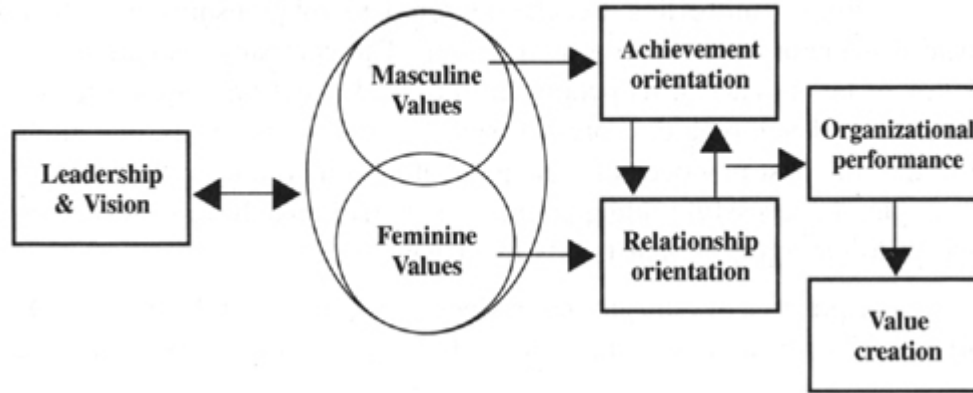
CONCEPTUAL UNDERPINNINGS AND LEARNING POINTS

The thrust of best management practices seems to lie in the ability of the organization to balance various forces in the internal as well as the external environment of the organization. If one were to argue in conceptual terms, it is the ability of the CEO to balance the dominant values in the cultural context of an organization that give rise to effective practices of management.

As illustrated in Diagram 1 which presents a conceptual model on the value context of best management practices, the leadership and vision of the CEO could be a force of balancing the masculine (achievement oriented) and feminine (relationship oriented) value dimensions in the cultural context of an organization. In this context an organization learns how to integrate the achievement oriented "competitive" behaviour

with relationship oriented "collaborative" behaviour. It could be argued that a proper blend in the two behavior orientations lead to balanced management practices that result in high performance and value creation.

Diagram 1: A Conceptual Model on the Value Context of Best Management Practices



It is observed that organizations have found ways of dealing with the customer as well as distributors and suppliers (partners) in the external environment in a manner that both parties benefited from the relationship. What was behind this relationship is the ability of the organization to balance the self-interest and the interests of the external party. On a similar line of reasoning it could be stated that an organization's concern to achieve high performance can be balanced with the employee's concern for quality of life, security and growth. In this respect the pluralist value orientation of the managers where they do not demand personal loyalty (Chandratilleke, 1997) seems to have helped the management in the sample companies to develop a good working relationship with the trade unions.

Thus what emerges broadly from the study is that the ability of the organizations to balance different interests by being flexible, understanding and innovative had given rise to effective management practices which are dynamic and adaptable to changing environments.

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