

ORIGINAL RESEARCH

Entrepreneurial Strategies Adopted by Rural Business Operators in Sri Lanka

K.A.S. Navarathne

Postgraduate Institute of Agriculture, University of Peradeniya, Sri Lanka.

suchnavarathne@gmail.com

Abstract

This paper examines the role of the entrepreneurial processes among rural business operators in Sri Lanka towards achieving their business success. The basic research problem of the study was as to why certain business operators were successful than their fellow counterparts within the same constrained environment. The study was carried out with the objective of gaining insights into the role of entrepreneurship in accumulating business success. The Case Study approach was adopted as it enabled exploration of the entrepreneurial process through a range of data collection techniques. Findings revealed that the successful business operators were more creative in obtaining scarce resources through networks and managing them.

Further analysis revealed that the successful business operators are successfully pluriactive in contrast to the majority of unsuccessful business operators who carried out uniform routine activities. Managerial ability of the business operators also played a vital role in extracting the maximum value perceived in each opportunity. Certain personality traits were also found to be associated with the success.

Key words: Entrepreneurial process, Entrepreneurial strategies, Business success

Introduction

Entrepreneurship is gathering and allocating resources to opportunities rather than to problems¹. This involves a socio-economic change from lower value situation to high value situation².

Entrepreneurial value extraction process could occur in the form of (a) extraction of value from the surrounding environment (b) generation of new standards of values and /or by redefining of existing ones and (c) the creation of new values³. The entrepreneurial value extraction process consist of (a) perceiving opportunities and, (b) capitalizing through matching with resources⁴.

The entrepreneur always searches for change, respond to it, and exploit it as an opportunity¹. Entrepreneurship can be defined as 'a process by which individuals perceive opportunities without regard to the resources under control'⁴. In this context, entrepreneur's established social networks play a vital role². These networks could be with vendors, potential customers, financiers, bankers and their competitors⁵.

Both entrepreneurial and managerial strategies play interdependent and complementary roles in the total business process, where entrepreneurial function enables the entrepreneur perceiving opportunities and overcoming constraints^{2,4}.

The role of the management in this context is to maximize the value extraction through efficient and effective allocation of resources, both owned and mobilized.

Successful operators develop a diversification mix of enterprises that lead to pluriactivity, i.e. more income generating activities⁶. Pluriactivity also facilitates more efficient use of family labour and risk management and credit recovery strategy in the Sri Lankan rural context².

Based on above studies in order to achieve business success the following propositions can be created. They are (a) entrepreneurial process plays an important role, (b) pluriactivity is an important entrepreneurial strategy and (c) entrepreneurial and managerial skills are interdependent and complimentary in the total business process.

Nearly 80% of Sri Lankan population lives in rural areas⁷ and small scale industries play a major role in these areas to create an economic environment⁸. Several government ministries and institutions in Sri Lanka have launched some development activities that have entrepreneurship components⁹ and Samurdhi is one such programme with a component of entrepreneurship development¹⁰. The Samurdhi banking association programme branched out into rural interior villages¹¹ and "Mihijaya" is a loan scheme operated by Samurdhi bank with the aim of facilitating entrepreneurship development among Samurdhi beneficiary families since 2007¹². It was noted that all who obtained the loan have not been able to successfully carry out their businesses and only a minority has been able to successfully carry out their

business operations within the given constrained environment (Pilot study). Therefore the basic problem upon which this study attempts to focus on is as to why only some business operators have succeeded and the role of entrepreneurship in achieving such success. This research problem brings about the research question as to whether these successful business operators are entrepreneurial?. In Sri Lanka this research is focused on the entrepreneurial process among the rural business operators.

In the above context, the main objective of this research was to understand the role of entrepreneurship in accumulating business success by successful business operators.

Materials and Methods

The study was undertaken in fifteen Grama Niladari divisions covered by the Bemmulla Samurdhi Bank Society in Aththanagalla division of Sri Lanka. The study population consisted of 54 Samurdhi beneficiary families residing in the study area who had obtained "Mihijaya" loans from Bemmulla Samurdhi Bank Society in Aththanagalla division in the year 2008. To achieve the basic aim of the research, it was necessary to compare a sample of successful family business operators with unsuccessful sample, after five year period of time in the year 2012. Family business success measures based on growth (growth in investments, personnel, and turnover) were used to differentiate the successful business operators from unsuccessful ones during the last five years¹³. The scale for measurement of success was based on an earlier study of scales¹⁴ and resulted in (a) successful commercial families - 18

families and (b) unsuccessful commercial families – 36 families. A sample of ten from each category was selected for the detailed case study.

Case study approach and importance of studying processes: The case study approach was considered as the appropriate methodology, for collection and analysis of data as it provides a wide range of information gathering techniques¹⁵. This was achieved by studying the process of activities over a period of time in the year 2013.

Data collection and analysis:

Eight cases were used for the pilot study and results showed three to be successful while five were unsuccessful. Primary sources of data such as in-depth interviews guided by a topic guide and direct / participant observations were used. These multiple data sources helped in triangulating the findings¹⁵. Finally, within and cross case analysis of data and comparison of findings with the existing theory were carried out.

Table 1: Number of income generating activities

	Successful	Unsuccessful
One income generating activity	2	32
Two income generating activities	10	4
Three income generating activities	6	

Results and Discussion

Value extraction of entrepreneurial business operators

Findings are presented using two successful business operators' cases A and B (among 20 case studies). The value extraction process adopted by them is discussed under the sub headings; pluriactivity, social networks, managerial capability and personal attributes.

Pluriactivity: Findings revealed that the business operators are engaged in various commercial activities. Out of the successful business operators, 56% are engaged in one enterprise in addition to primary income sources and 33% are engaged in two enterprises in addition to primary income sources. Minority (11%) of successful family business operators are engaged in the primary income source. Majority (89%) of unsuccessful business operators engaged in the primary income source and minority (11%) of unsuccessful business operators are pluriactive and they use two income generating activities. (Table 1)

Cases A and B have added new ventures to their portfolio of income generating activities and, have become successfully pluriactive. Figure 1 indicates multiple activities undertaken by these two households.

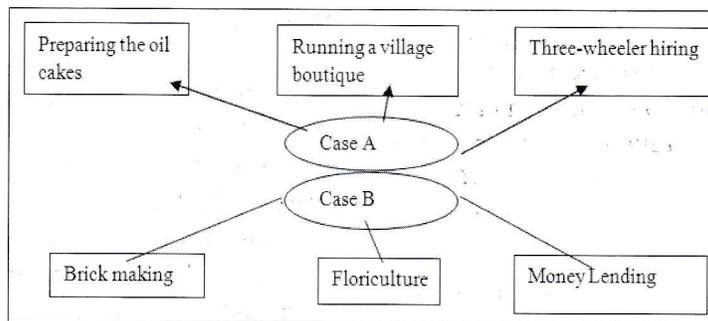


Figure 1: Pluriactivity by Cases A and B

Case A involve in the business relating to the oil cakes as the primary income source and then pursued the village boutique and three-wheeler hiring sector as their next income generating activities. Case B started the brick making business as the primary income source and pursued the floriculture and money lending as their next income generation activities.

Pluriactivity has helped them to increase their level of income and helped them to extract value from various niches in the environment. Further, it has increased the

efficiency of family labour utilization.

Social networks: One of the major constraints in the given context is limited resources for business operators. It was observed that social networks play a major role as a means of mobilizing much needed resources². Successful business operators have managed to access the required resources by way of forming social ties. Some of the opportunities capitalized by Cases A and B through obtaining resources through network relationships are given in Figure 2 and 3.

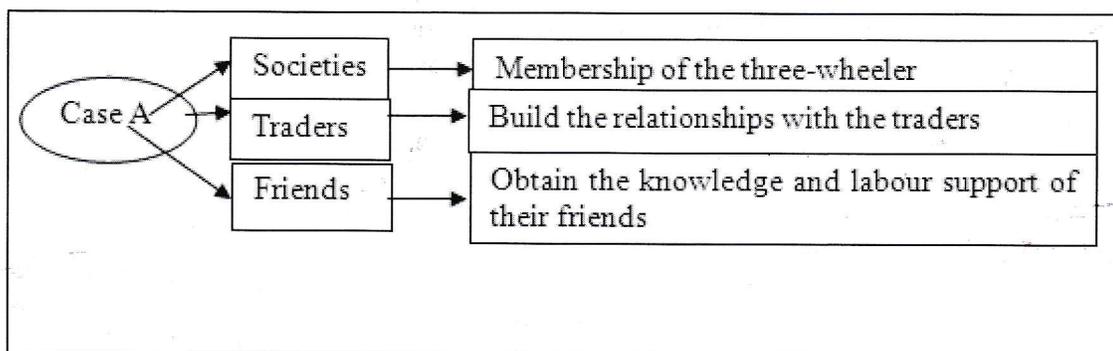


Figure. 2 Resources mobilization and value extraction through the social networks (Case A)

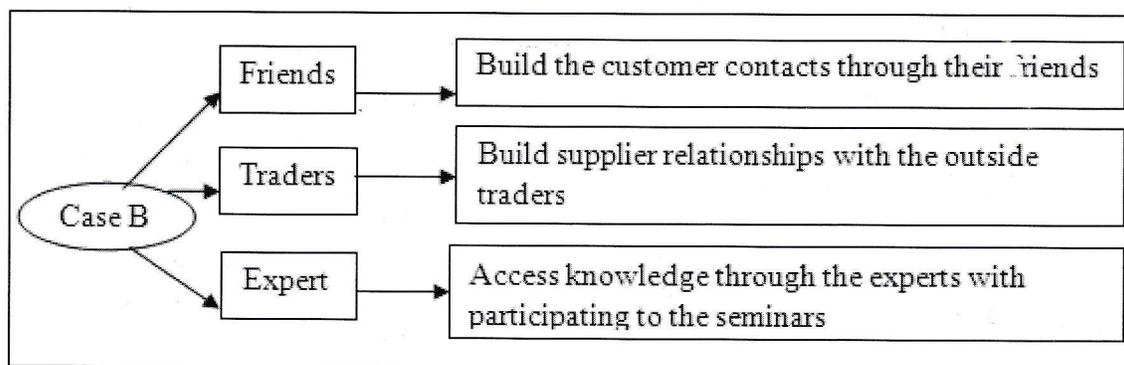


Figure. 3 Resources mobilization and value extraction through the social networks (Case B)

Case A mobilizes the resources through the social network through the membership of the three-wheeler organization in their area, to get the support of it to increase the customers of their business, build the relationships with

the traders to buy the products on interest free short term credit to carry out their village boutique and obtain the knowledge and labour support of their friends. Case B mobilizes the resources through the social networks with using three ties. They build

the customer contacts through their friends, build supplier relationships with the outside traders to take the inputs on short term credit basis and access knowledge through the experts by participating in the seminars conducted in their area to identify the floriculture and also money lending as their next income generating activities within the limited resource environment.

Managerial capabilities, time and market orientation:

It was revealed from the findings that efficient and effective allocation of limited resources in the given opportunity-starved environment is also important to achieve business success. Delegation of responsibilities was found to be one of the main personal attributes, which enabled successful business operators to manage their time efficiently and effectively. For example, Case A engages in preparing the oil cakes where her daughter supports the business operation. This clearly indicates the awareness of the opportunity cost of time by Case A. On the other hand, Case B adapts to his time constraints by involving in weekends to utilize their limited time.

The market orientation by successful business operators can again be clearly demonstrated from Case A's capitalization of seasonal market window for the oil cakes production. It peaks in festival seasons. She also maintains strong relationships with some customers who assure her of a permanent retail sale and tries to obtain orders in advance to reduce the marketing risk.

Similarly Case B also retails more bricks and maintains contacts with regular customers in the village. Moreover, he undertakes special orders to supply. The market orientation by these cases is further

evident from their decision to produce a wider range of products, during the period of this study where majority of the other business operators involve only one.

Personal attributes: Personal qualities like attitudes and values of family members have also have influenced Cases A and B's success. Among these attributes, positive attitude towards work, hardworking, ability to form and sustain trustworthy relationships, delegation of responsibilities and habit of differed gratification were noted.

Conclusion

The processes of value extraction adopted by each business operator were found to be unique and different from each other. Findings revealed that the successful business operators were more creative in obtaining scarce resources through networks and managing them. Managerial capability of the business operators plays a vital role in extracting the maximum value perceived in each opportunity. For example, the ability to delegate responsibilities, to the right people at right times, has enabled the entrepreneur to avoid resource conflicts among different pluriactive enterprises.

This has also enabled them to retain funds within the household and to re-invest them in the business. Time orientation is also found to be an important aspect in the particular context, because of the many available opportunities. Market orientation of the successful business operators clearly differentiated them from the majority of unsuccessful production oriented inhabitants who produced similar products overtime. This was further demonstrated by the successful business operator's ability to identify and capitalize

the time based market window in terms of what to produce, in what forms to produce, where and when to sell etc.

Further analysis revealed that the successful business operators are successfully pluriactive in contrast to the majority of unsuccessful business operators who carried out uniform routine activities.

Findings revealed that successful business operators were both entrepreneurial and managerial in their endeavours. They were found to be entrepreneurial in creatively perceiving opportunities and capitalizing them through overcoming resource and other constraints by means of social networks. The entrepreneurial ability of these business operators has enabled them to maintain low and high-risk activities. This was achieved by efficiently and effectively managing pluriactivity. Managerial ability of the business operators also played a vital role in extracting the maximum value perceived in each opportunity. Certain personality traits were also found to be associated with the success.

Acknowledgement

I am grateful to Postgraduate Institute of Agriculture of University of Peradeniya and Bemmulla Samurdhi Bank Society for the support given during the study.

References

1. Drucker PF. *Innovation and Entrepreneurship*. Harper and Row.1995.
2. Kodithuwakku SS, Rosa P. Entrepreneurial process and economic success in a constrained environment.

Journal of Business Venturing: Special Issue in Qualitative Methods in Entrepreneurial Research 2002; 17:431-65.

3. Chell E. The Nature of Entrepreneurship and Its Application in a Rural Context. In: Vyakarnam S (Ed). *When the Harvest is in*. In: *Developing Rural Entrepreneurship*. Intermediate Technology Publications. 1990.
4. Kodithuwakku S. Entrepreneurial process in an apparently uniform context: a study of rural farmers in Sri Lanka. Unpublished PhD thesis. University of Sterling. 1997.
5. Holt DH. *Entrepreneurship New Venture Creation*. Prentice-Hall. 1998.
6. Carkner RW. *Choosing Enterprise for Your Farm*. Farm Management: How to Achieve Your Farm Business Goals. Year Book of Agriculture. USDA. 1989.
7. Department of Census and Statistics of Sri Lanka [Internet]. [Available from: <http://statistics.gov.lk/PopHouSat/PopChua.asp>. (Accessed from: 1/12/2013)
8. Kanagasingam R. Entrepreneurship in Sri Lanka. [Internet] <http://www.ft.lk/2012/08/23/entrepreneurship-in-sri-lanka/> (Accessed on : 6/4/2014)
9. Tissera D. Entrepreneurship: A Necessary Skill for All Youth. National Conference on Graduate Entrepreneurship 24. BMICH. 2008.
10. National Enterprise Development Authority [Internet]. [Available from: <http://www.neda.lk/index.php/en/component/content/article/101>. 2015].

11. Sri Lanka Ministry of Economic Development [Internet]. <http://med.gov.lk/english/> (Accessed from: 6/11/2014)
12. Bank Society Guideline-20. Mihijaya -Special Loan Programme. 2007.
13. Hienerth C, Christoph, KeBler A, Alexander. Measuring success in family businesses: The concept of configurational fit. *Family Business Review* 2006;19:115-34.
14. Rao VL. Industrial Entrepreneurship in India. Chaug. 1986.
15. Yin RK. Case Study Research: Design and Methods. Sage. 1984.