



**Enhancing the Enterprise Culture of Sri Lanka:
Results of the ILO Enter-Growth Project's
Cultural Assessment in Four Districts**

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1. Introduction

Enterprise for Pro-poor Growth, or Enter-Growth for short, is a project of the International Labour Organisation (ILO), the Swedish International Development Agency (Sida), and the Ministry of Enterprise Development and Investment Promotion. Its goal is to contribute to pro-poor economic growth and quality employment for women and men, through an integrated programme for development of micro and small enterprises.

Micro and small enterprises are the engine of growth in Sri Lanka, especially outside Colombo and the Western Province. They are vital to local economic development, which creates jobs and reduces poverty. Since economic growth in many provinces is still lagging behind, the Government, Sida and the ILO agreed on a project that promotes small enterprise in a holistic manner, and targets North-West and North-Central provinces – Kurunegala, Puttalam, Anuradhapura and Polonnaruwa.

The project design is based on extensive consultations with provincial and district stakeholders from the Government, the private sector – micro and small enterprises in particular -, and NGOs. It seeks to address issues that relate to:

- The market access of micro and small enterprises;
- The policy and regulatory environment for micro and small enterprise growth;
- Enterprise culture – the way enterprise is perceived and valued in society.

After a first project concept in 2003, and a final document in 2004, the project started in June 2005, for a period of 3 years. The project's most basic assumption is that none of the constraints in these areas can be addressed without dialogue with and between the stakeholders in the districts, and that they need to take the lead in finding and implementing solutions. Enter-Growth's role is that of a facilitator in this process.

The project's third theme, enterprise culture, was included at the insistence of the stakeholders in the four Districts, who felt that negative attitudes towards business, and a lack of "entrepreneurship" were major obstacles to local economic development. This paper is a summary of an in-depth assessment the project did of the norms and values that lie at the root of these issues¹. The assessment was designed and carried out by Nireka Weeratunge and Karin Reinprecht, with contributions by many others, including field researchers.

2. Why we did a detailed cultural assessment

The lack of a dynamic enterprise culture in Sri Lanka

Despite the widespread promotion of enterprise development through increased Business Development Services (BDS), there is a **general assumption** among practitioners and policy planners that Sri Lanka **lacks a dynamic enterprise culture** that would enable more people to start and expand micro and small enterprises (MSEs), especially outside the current growth hub, the Western Province. Negative attitudes towards business were often voiced by stakeholders as a constraint to enterprise development during the project planning phase. This is also supported by evidence from employment studies that show a marked cultural preference for public

¹ The full report can be obtained on www.entergrowth.com.

sector, white-collar employment. Youth, whose education is oriented towards theoretical knowledge, are less inclined to value practical knowledge, or take pragmatic decisions about their future. Moreover, there are considerable cultural and social barriers preventing women from starting or expanding businesses that are beyond mere survival-level income generation activities, especially related to issues around mobility and reputation.

One objective of the **ILO Enterprise for Pro-poor Growth Project** is to **strengthen social and cultural support for micro and small enterprise development** by women and men, with a focus on poor communities in four districts in Sri Lanka. The four districts are Anuradhapura and Polonnaruwa, located in the predominantly agricultural North Central Province (NCP), and Puttalam and Kurunegala districts, located in the North Western Province (NWP), where over two-thirds of the working population are engaged in services and industries (Central Bank 2005). The enterprise culture promotion component includes enhancing access to entrepreneurship training for women and youth, business awareness training in vocational and technical schools, and integration of entrepreneurship, enterprise values and business-related topics in both the formal senior secondary school and in non-formal training. In addition, a social marketing campaign promoting enterprise culture in the four districts, awareness-raising among public officials and awards for those officials who play an important role in facilitating the development of MSEs are vital aspects of this project component.

To enable the project to design effective interventions in these areas, as well as in other components of the project, a study was conducted to assess **cultural barriers and strengths** associated with development of MSEs in the four project districts. The project wanted to move beyond merely identifying **the attitudes** towards enterprise in these districts by unearthing **the values and norms** that underlie these attitudes.

The evidence from recent surveys

Three of the youth surveys conducted recently in Sri Lanka are consistent in showing the low value attributed to the private sector and self-employment in general. Around 53% of respondents in the National Youth Survey 2000 perceived that the private sector discriminated in recruitment, favouring known groups and individuals, and against candidates from low income groups.

Education level was crucial in determining preferences for the sectors of employment. According to the National Youth Survey, preference for government employment increased considerably from 48% of those with only a primary education to 62% of those with "A" levels. In contrast preference for self-employment declined drastically from 40% among those with only a primary education to 12% among those with "A" levels. Preference for private sector employment increased from 13% among those who had only completed a primary education to 23% among those with "A" levels (National Youth Survey 2000).

What youth say about self-employment

Sri Lankan culture is such that it does not view self-employment as employment. It should not be like that. In marriage the male is required to have a stable job in the public or private sector; self-employment does not count very much to people. (Hambantota, ILO School to Work Transition Survey 2003)

There is a saying that even if one supervises a poultry farm, it must be a government poultry farm. The attraction of the government is that even after retirement, the government pays a pension. I think it is better to find your own self-employment. But our society does not respect the educated people who are not employed in the government sector. (Jaffna, ILO School to Work Transition Survey 2003)

The Youth Perceptions Survey of 2005 shows that the preference for government employment has somewhat declined among all groups (ranging from 26% among those with only primary education to 50% among those with “A” levels) with a corresponding increase in the preference for private sector employment to 30% among those with A’ levels. However, there was no change in preference for self-employment among all categories of youth.

What youth say about employment in the private sector

I prefer the government sector because in the private sector they kill the employees with the load of work. (Matara, Youth Perceptions Survey, CEPA 2005)

The state sector jobs are good. There is stability for the employees. Salary is less. But it is better than the private sector which throws out the employees in 6 months without paying the due taxes. (“O”level, Weligama, National Youth Survey 2000)

I prefer the government sector because you get benefits such as job security and cost of living allowances. The chances of getting fired are much less in the government sector. (Colombo, Youth Perceptions Survey, CEPA 2005)

A national survey on “Peace through Profit: Sri Lankan Perspectives on Corporate Social Responsibility” of 2005 conducted by International Alert provides some data on the contradictory perceptions of business and its role in society, held by the general public nationally as well as in the project regions. In the North Central Province (NCP), 72% of respondents disagreed that business’ only responsibility was to operate competitively and make profits, while in the North Western Province (NWP) equal proportions (37%) both agreed and disagreed on this issue. In both provinces the majority (76% in NCP and 62% in NWP) agreed that business had a responsibility to take into account the impact their decisions have on employees, local communities and the country, as well as making profits. While 66% of respondents in NCP agreed that business helps society by providing goods and services only 30% did so in NWP. The majority in both provinces (81% in NCP and 65% in NWP) agreed that business helps society by providing employment. In terms of negative perceptions of business, the majorities in both provinces (51% in NCP and 73% in NWP) agreed that business exploits consumers and destroys cultural values (61% in NCP and 55% in NWP). At the same time, in both provinces around half of the respondents believed that business organizations had an important role to play in bringing peace to Sri Lanka. In general, all evidence from the various surveys

show the need for business to be grounded in the social and cultural fabric of Sri Lanka.

3. How we did the cultural assessment

A review of the available literature on culture and enterprise in Sri Lanka was carried out to explore the main debates around entrepreneurship development in Sri Lanka. In most studies of entrepreneurship, entrepreneurs are considered as a special group of individuals, with a specific subset of aptitudes and skills that enable them to be successful in pursuing their livelihood. This cultural assessment recognised that a business person is also constituted by his/her social relations and focused on how this might affect her/his business practice and identity within the society. This perspective addresses questions on the status and acceptance of entrepreneurs within their communities and to what extent the surrounding socio-cultural environment is enabling or obstructing in starting or expanding a business. Thus, in addition to existing **entrepreneurs**, the cultural assessment included **school leavers** as potential starters of business and **influencers** – parents, teachers, community leaders, NGO officers, religious leaders, BDS providers, government officers, medium and large entrepreneurs – as **people who influence the decision-making and activities** of both existing micro/small entrepreneurs and potential entrepreneurs.

To find out about values and norms underlying attitudes and behaviour relating to entrepreneurship, the principal primary data collection methods used were open-ended interviews with entrepreneurs, school leavers and key informants/influencers, as well as focus group workshops with the influencers. Some language analysis was also done to understand how an enterprising or businessperson is defined, as well as to grasp expressions pertaining to business and enterprise.

As a comprehensive cultural assessment prior to project implementation is a relatively uncommon practice at the project design stage, the primary task of the first assignment of the team that carried out the study was developing and piloting an analytical framework and a set of tools. The tools were tested in the most culturally and sectorally diverse district of Puttalam, prior to extending the cultural assessment to a wider sample in all four project districts in the months of October and November 2005.

Individual interviews with school-leavers (as potential starters) and entrepreneurs (as starters/potential expanders) were based on a semi-structured questionnaire, including business trajectories/livelihood decision-making trees, as well as a social/business network diagnosis. We also observed behaviour of entrepreneurs in social situations relating to business, including their communication strategies.

Focus group discussions with influencers were conducted through workshops based on participatory methods and with business associations, based on a set of open-ended questions. In addition, semi-structured interviews with key informants in the private (chambers, BDS providers) and government sectors, dealing with enterprise development were carried out at the national, provincial and district levels.

Altogether 60 entrepreneurs (20 starters, 40 expanders) and 20 school leavers were interviewed in the ten villages (Grama Niladari divisions) of the four project districts, comprising five Sinhalese Buddhist villages, three Muslim villages (including a settlement of internally displaced persons - IDPs), one Tamil Hindu and one

Sinhalese Catholic village. Among entrepreneurs, 47% of the respondents were women; among school leavers 50% were women.

The majority of respondents were micro and small entrepreneurs in agriculture (paddy, coconut, food processing/ trading) and fishing (fresh and dried fish trading/processing)-related sectors, small industry (furniture) and handicrafts (reed and palmyrah weaving) and services (tailoring, welding, masonry, vehicle repair).

Around 52 influencers participated in the 6 focus group workshops held in the capitals of the four districts. These included three workshops with Sinhalese participants, two with Muslims, and a joint one with Sinhalese and Tamils. In addition, open-ended interviews were conducted with around 20 key informants from the government and private sectors. Open-ended focus group discussions were also held with members of 8 trade associations in the four districts.

The results relating to underlying values and norms in business practice in the four districts are analysed along four domains: family and community, economic, religion and global. Within the family and community domain, we explored values and norms relating to doing business within family, gender and ethnic structures and relations, while in the economic domain we looked at those values and norms relating to pursuing specific business strategies and decisions. In the religious domain, values and prescriptions stemming from religious beliefs and doctrines that influence business practice were assessed. In the global domain we explored the extent to which respondents might be influenced by global values and norms through migration, travel, tourism, media and other exposure to foreign countries. Regional, gender and ethnic variations, as well as differences between influencers, school leavers and entrepreneurs were taken into account. The core values and norms identified influence the opportunities taken and constraints faced by entrepreneurs in their business practice. These opportunities and constraints translate into cultural and social transaction costs and benefits of doing business, which were then identified as areas where interventions are needed.

4. What the cultural assessment found

The cultural assessment confirmed the general negative attitude towards business as a livelihood option, especially among influencers and school leavers. At the same time, it recognised some of the spaces available to enhance enterprise culture in the four districts. It demonstrated that a specific enterprise culture existed among entrepreneurs with its own notions and ways of doing business. The attitudes and values underlying business practice in the four districts shared some characteristics with global models of entrepreneurship while also differing from these.

The role of influencers in providing an enabling cultural environment for business

Most key informants interviewed both in the private sector (Chambers and BDS providers), as well as in the government sector at the national, provincial and district level considered the role of business people in providing goods and services to society, as well as creating employment, as important.

However, many private sector representatives complained that there was **no enabling environment** for people to go into business, both in terms of the **regulatory framework** and **socio-cultural attitudes**. The widely prevailing notion

that **business people are exploitative** and the resulting lack of respect and recognition for performing a useful service or contributing to the community were mentioned by private sector representatives. They also pointed to a resultant lack of fulfilment as human beings from not receiving due social recognition. However, some chamber representatives and BDS providers, who came from professional backgrounds, were **critical of the short-term orientation of entrepreneurs in doing business**, especially because they considered it to be unprofessional and not good for business in the long run.

Government officials while acknowledging shortcomings on the government side, such as the lack of a coherent policy towards industry and the need for an improvement in government support services, frequently highlighted what they perceived were **weaknesses of entrepreneurs**, such as the reluctance to register businesses and pay taxes. They also complained that business people are too dependent on government to provide subsidies, rather than compete, as well as lacking a concern for quality and customer orientation. Some government officials perceived business people as those with narrow, individual, short-term interests, although concerned about their immediate family and social networks. They had divergent views on the status and respect given to entrepreneurs, pointing out that large entrepreneurs generally had more status than micro and small ones, and respect was dependent on their social class background and networks.

Influencers also expressed divergent views on the influence of religion and ethnicity on attitudes towards business, arguing that while Islam was generally more conducive to business, Buddhism could be both constraining and enabling of business.

What influencers say about business people and business in Sri Lankan society:

Small entrepreneurs are not given a lot of respect either by society, government or banks. Only entrepreneurs with big production, large number of employees, vehicles, equipment, and technology are – all this is important for social standing. (district-level official, Polonnaruwa)

Although you go to the mudalali (trader) for all your needs, you don't respect him. He's considered an outsider and an exploiter, although he is the key operator in the economic system... Any entrepreneur who has made it big has to buy his social acceptance. The priest is there to grab that person for a donation. (national level BDS provider)

We don't have a business environment. There is nothing to encourage people to go into business, in terms of the regulatory environment. This is especially the case for industry. The perception is, why should I kill myself running an industry. The employment and environment regulations are not conducive. Running an industry can be life threatening – a dispute with an employee can lead to a death threat. Cost of production is also high because of high infrastructure costs, utility costs... Parents attitudes towards children are also not enabling people to go onto business. They all want them to become doctors, engineers, at least a teacher; if everything fails there is business. (national-level chamber representative)

Most entrepreneurs serve themselves individually, they don't think about others. They

don't let others stand up or give a hand. That's the tendency. (district-level government officer, Polonnaruwa)

An entrepreneur is a person who produces something new from available raw materials and does something good for society. Most here are not engaged in production; they are trading and are not real entrepreneurs. Everything in this district comes from outside... There is a need to increase social opportunities, make good quality products, increase confidence in entrepreneurs, give space to new people to develop and involve entrepreneurs in new experiments. (provincial-level official, Anuradhapura)

Buddhists think business is inferior because it's taking something illegally. All persons are equal in Buddhism...Buddhism says to be satisfied with what you have – don't search for other things. (provincial-level government official, Puttalam)

Buddhism has a clear economic philosophy - this is not what the temples preach... It provides positive thinking - manage your finances properly, save, break no precepts, love the environment and develop economically. (provincial-level government official, Anuradhapura)

The Buddhist cultural influence is seen among business people. They don't want to go beyond a certain level. This is very much bound with religious ideas -it's an obstacle to improving business... There is a subsistence mentality – as long as we can eat and clothe ourselves, that's enough... Muslims have auto-business skills. A child will sell a guava to a fellow pupil at school. Their priority is always business, a job has only second place. (district-level government officer, Kurunegala)

In workshops where influencers were asked what they would advise school leavers to consider as their livelihood options, the majority indicated first that they would encourage them to pursue higher education or formal vocational training to whatever extent possible. However, following some discussion within the workshops on the type of school leavers who might need their advice, the majority tended to prioritise informal or formal practical training, followed by self-employment. This varied according to the composition of the influencers. In general, Government officials, teachers and parents prioritised formal technical training/university education while participants who were from NGOs prioritised self-employment and informal practical training. Business people, BDS providers and bank representatives prioritised self-employment, and formal or informal technical training.

In identifying core notions of success in life, as a motivating factor for pursuing a livelihood, influencers in all four districts mentioned a **good (well-built with all facilities) house, a good vehicle (car/van/four-wheel drive), modern household goods and a good education for children**. In Kurunegala, Anuradhapura and Polonnaruwa a good job with a secure monthly income, as well as being well-dressed, was also an important sign of success. In agricultural districts such as Anuradhapura and Polonnaruwa agricultural assets (land and equipment) were important while in Puttalam land and modern fishing assets, such as boats and nets were mentioned. In addition, in Kurunegala and Puttalam district where participation by women was higher in the workshops, the importance of jewellery was highlighted. In Puttalam and Polonnaruwa districts living in a good neighbourhood (clean and peaceful, with good infrastructure) was mentioned as well.

Core underlying values and qualities necessary to achieve success identified in all four districts revolved around three clusters: **honesty/trust; hard work/effort/perseverance; and good social relations/ helping others/ listening to others/ respecting people/the environment.** Humility was also considered important in Kurunegala, Anuradhapura and Polonnaruwa (Sinhalese workshop) districts. A positive mind/right mind were mentioned in Kurunegala and Polonnaruwa (Muslim/Tamil workshop), as well as following spiritual/Buddhist values or the Islamic religious code. Fairness/social justice was identified in Anuradhapura and Puttalam (Sinhalese/Tamil workshop) as a significant value. In Kurunegala and Puttalam districts discipline/commitment and planning were mentioned. Goal-orientation was identified as important in Kurunegala and Polonnaruwa (Sinhalese workshop).

Overall, there was more of an emphasis on human/social values in Anuradhapura and Polonnaruwa districts, and business-oriented values in Puttalam district. Influencers in Kurunegala district revealed more of a mix of human/social and business-oriented values.

Livelihood expectations and decisions of school leavers

For **most school-leavers decisions about their future are taken by the school system** – i.e. passing or failing an examination. As the majority of school leavers fail, rather than pass their high school examinations (GCE “O” and “A” levels), decision-making is influenced by failure. The first option is to go as far as possible in the school system - only a few cannot continue because of economic hardship conditions. If a student passes the “A” level, parents and the community will encourage the young person to study further either in the university system or in private educational and professional institutions, in order to get a white collar job, preferably in the government sector. **A secure job with regular income, where one does not get oneself dirty while working, is the most desirable and reputable option.**

What school leavers say about livelihoods and social respect

Villagers respect people like doctors because they earn more money and have status. (Female Sinhala Buddhist “A” level, Kurunegala district)

I think people here respect doctors, government officers, lawyers and teachers because they earn better incomes. (Female Muslim “A” level, Polonnaruwa district)

I want to enter campus. I want to get a degree. My parents also want me to go to university. They prefer that I do Accountancy. A lot of people here are doing Commerce stream. (Female Sinhala Buddhist “A” level, Anuradhapura district)

People in the community respect teachers and government officers. They have leisure time. Teachers finish their work by 2.00 pm so they can spend more time with their families. (Female Muslim “O” level, Puttalam district)

If a student has passed only the “O” levels, technical courses and acquisition of practical skills become options, as well as taking a job at a factory. However, undertaking **practical training** in the informal sector, such as in a garage, carpentry workshop or bakery is, in general, **not highly valued.** Openness to business as an

option is still low among school leavers at all levels, mostly due to lack of knowledge about livelihood options and the lack of useful advice/guidance by influencers, such as parents and teachers.

However, when explicitly asked whether they would consider business as a livelihood option, 45% said they would. This was higher among school leavers with “O” levels rather than “A” levels, and among Muslims, Tamils and Sinhalese Catholics, rather than Sinhalese Buddhists. The major reasons for not considering business as an option were dislike of business, and lack of social respect, knowledge/skills and capital/markets.

What school leavers say about business as a livelihood option

I have no plans to do business. I have no idea how to do business. I do not like the business field at all. (Male Sinhala Buddhist “A” level, Anuradhapura district)

I do not have any plans to do business. I think I can’t give priority to business. I want to get a good education and do a job. (Female Sinhala Buddhist “A” level, Polonnaruwa district)

I don’t like to do business. My parents want me to be an engineer. Here there are lots of people involved in business. But if a person is a teacher he has more respect. (Male Sinhala Buddhist “A” level, Anuradhapura district)

People who have Middle East jobs earn better incomes than other people. If I can find a job in the Middle East, that’ll help to fulfil my needs. I never thought of starting a business because we do not have money and I don’t want to take loans. (Male Muslim “O” level, Polonnaruwa district)

I would like to go abroad to Europe, a place where you can earn well...I don’t have money to start a business. During the warakang (windy off-season for fishing) season, it’s difficult to do business here. It takes a lot of time to make money from business. I want to earn fast by going to Italy. (Male Sinhala Catholic “O” level, Puttalam district)

Decision-making by school leavers is an ad-hoc process without access to sufficient information; many young people appear to be stuck in self-perpetuating cycles of confusion.

In looking at their notions of success in life, money or a good income was more important for school leavers with “O” levels rather than “A” levels, for Muslims, Tamils and Sinhalese Catholics rather than Sinhalese Buddhists. School leavers with “A” levels tended to value non-material measures of success. One cluster was related to personal achievement in terms of a good education and fulfilling a goal in life. The second cluster was related to ethics and obligations – being a good human being, not harming others, helping others, making one’s parents happy. Both groups valued a good house and good relations with the community. Several school leavers also indicated the importance of a good marriage and family life – from all three ethnic groups.

The predominant perception of a business person in general among school leavers was that s/he **had money in his/her hands** all the time and had **knowledge** to do

business. This was truer for Muslims, Tamils and Sinhalese Catholics than for Sinhalese Buddhists. Sinhalese Buddhists indicated a gamut of notions including good income, decision-making, ability to face problems, success, responsibility, being goal-oriented, self-confidence, fairness, not harming others and social acceptance.

A somewhat larger number of disadvantages than advantages in doing business were identified by these school leavers. The major **disadvantage** in doing business identified by the vast majority from all ethnic groups was **losses and financial difficulties**. This was higher for male school leavers than female ones. Several female school leavers mentioned **risk and uncertainty**, as well as the necessity to make **more effort**. Other disadvantages indicated were competition, lack of information, more responsibility, exhaustion, lack of free time, punctuality, lack of space, family problems and facing anger of clients due to credit issues.

Predominant among **advantages** was also **money** or things related to money such as getting a good income or profit and having an improved standard of life. Having money in the hands was identified as a benefit by more female school leavers of all ethnic groups, getting a profit was mentioned by more Muslims and having a better standard of living by more male Sinhalese Buddhists. Independence and status were perceived as an advantage by mainly female school leavers. Interacting with/knowing people, helping people, providing a service and creating employment were mentioned by a few. Several school leavers, mainly Muslim, from Kurunegala and Puttalam districts, saw no disadvantages in doing business.

The attitudes and values underlying business practices among entrepreneurs

Family and community domain

Support of the **family** (especially the husband in the case of women) is **fundamental** for business start-up in all four districts. If the family is already in business the starter has **tacit knowledge** and a **network** which give him/her a head start over others. Muslim starters grow up in an environment surrounded by people doing business and thus tacit knowledge is higher within this ethnic group. Start-up capital, labour and moral support are provided primarily by the family for the majority of starters. Among the minority who started without family support, it was readily given once they proved themselves. Women in this situation were strategic about how they would win the approval of their husbands. Both support from and obligations to the family (contributions to marriages, funerals and welfare needs of relatives) were highest in Polonnaruwa district.

As start-up capital comes from the family the risks associated are slight or non-existent for most starters. **The cultural costs for a young person who tried and failed are not high**. This is because there is some social acceptance that youth are bound to make mistakes, and the financial outlays provided to youth are not often very high. This is **different for an older starter**, who might have to face derision by the family or community, except in the case of Muslims where it is completely acceptable that people fall and rise up again, and that business has good and bad turns. Among Muslims, there appears to be almost unlimited financial support by more financially secure family members to keep maintaining family members starting a business until they stabilise to some extent.

The continuing support of the family, especially in terms of labour and moral support, is important for those who grow or expand their businesses as well. However, at this stage, credit is often borrowed from banks and additional employees are hired. **Social recognition** by the community is a very important cultural value and obligations to the community are high. Entrepreneurs are often seen to “buy” recognition by contributing to village temples/mosques/churches and community events. Medium and large entrepreneurs often calculate this cost. For example, in Puttalam district among Buddhist and Catholic entrepreneurs this was estimated to be 10% of their profits. Among Muslims, the amount is prescribed by religion as *zakat* and is 2.5%. However, micro/small entrepreneurs are generally exempt from *zakat*. Most entrepreneurs in other districts indicated that they contributed sums according to the wishes and needs of the community, as requested by religious/community leaders.

In assessing the role of gender in business, a **significant minority** (close to 40% of respondents) **thought men were better** at business, while around 30% respectively perceived that women were better or both genders were equally good. In general, more men thought men were better at business, while more women thought women were better. Those who argued that men were better at business based it on socio-cultural restrictions on women such as the household work burden, mobility after dark and concern about reputation, better knowledge and skills of men and superior physical strength of men. Those who perceived that women were better based it on superior customer relations and communication ability, cunning, thrift, commitment, patience and experience of buying and selling through handling the household budget. Those who argued for both genders pointed out that individual skills mattered most, or that the two genders had complementary skills/qualities to run a successful business together.

In looking at the significance of ethnicity, a **majority** of 56% of the respondents were of the view that **Muslims** are better at business. A significant minority of 26% thought that all ethnic groups are equally skilled at business. Kurunegala district was an exception with half of the respondents perceiving that all groups were equally skilled. Those who argued that Muslims were better at business perceived that members of this ethnic group had inborn-skills, a business tradition, better customer-orientation, commitment, persistence, strategies, ability to take risks, acceptance of failure, a relative lack of concern for status, unity of and support from the group, as well as religious support. Respondents who thought that **all ethnic groups** were good at business indicated that **money, skills, talent, knowledge and good luck** were the most important factors.

Economic domain

Measures of **success** in life as seen by entrepreneurs differed by district and ethnicity. Sinhalese tended to associate success with **peace of mind** (*manasika sahanaya*), **being a good human being and living without troubling others** while Muslims linked success to having **more money, a good reputation, good family life and living in a good neighbourhood**. When Sinhalese mentioned money as a sign of success, they usually meant having sufficient money, whereas Muslims indicated it as having more money and being wealthy. The difference district-wise was that in **Anuradhapura** **peace of mind** was seen more often as a sign of success than in **Kurunegala**, where **money** was given very high importance. In **Puttalam and Polonnaruwa districts**, measures of success were more varied with significant numbers considering a **well-built house and good family life**, including the **education of children**, as important. This was particularly true for Sinhalese and

Tamil Catholics, Tamil Hindus and Muslims. Most entrepreneurs indicated the importance of balancing business/material success with a good family environment.

Three clusters of ideas were especially significant in perceptions of the **business person and business success**. Predominant in all four districts was the notion that a combination of **capital to invest with knowledge** and/or **skills** to actually do a business is fundamental. Around a quarter of respondents (mostly men) thought that business people have a special or inborn talent for doing business. The second cluster of ideas revolved around a **good customer orientation** by successful business people. Attracting customers, winning hearts and minds, being friendly, putting a good face, smiling, knowing lots of people were seen as very important, particularly in Puttalam and Polonnaruwa districts, primarily by Sinhalese. Related qualities of **honesty, trust and patience/humility** were also mentioned by a considerable number, also in these two districts, mainly by Muslims, Tamils and Sinhalese Catholics. Concern for quality, cleanliness and health were also mentioned by respondents in Polonnaruwa district. The third important cluster of notions were centred on **strength** (*shakthiya*), as well as dedication/commitment (*kepavima*), determination (*adishtanaya*), confidence (*vishvasaya*) or self-confidence (*athma vishvasaya*). These qualities were seen as important to do business and succeed, particularly by women in Polonnaruwa and Puttalam districts.

In addition, **independence** (as well as a higher status and living standard) was mentioned as an important characteristic of a successful business person in Kurunegala district, hard work/effort was seen to be important in Puttalam district, while having good profits was considered as such in Polonnaruwa district. **Having money in one's hands** continuously and improving/earning day by day was also mentioned.

Characteristics for business success

We have to talk in a cordial (suhada) way, attract customers to us. There might be ill will from the surroundings but we don't fall down from that. (Female Sinhala Catholic Expander, Puttalam district)

We have to like and love people; we must be humble and not have any conflicts. We have to be even nice to those people who might try to hit us. We have to treat everybody well, otherwise we can't survive. (Male Muslim Starter, Puttalam district)

You have to do business without getting into conflicts. There has to be good behaviour, good communication. You have to attract customers' minds/hearts (hith dinaganna) by talking well with them. (Male Muslim Expander, Kurunegala district)

To do business you need a good mind, mental freedom, independence, creativity, hard work and status. (Male Sinhala Buddhist expander)

You have to be able to attract people. You have to know how to talk and negotiate. You have to make your product to a very good standard – what is demanded by customers. (Female Sinhala Buddhist Expander, Polonnaruwa district)

Patience is very important and determination to succeed. I should have a goal, not give up and have self-confidence that I can do this. (Female Sinhala Buddhist)

Expander, Kurunegala district)

If you do business you have to work hard and learn what you do well. (Female Tamil Hindu Expander, Puttalam district)

More valuable than money is the ability to talk and communicate – without deceit. Honesty is important. A good face - that is not stern. You must smile with people, should not get angry, must have patience. (Male Muslim Expander, Polonnaruwa district)

We should be able to give and take, and be straightforward in our dealings. (Male Tamil Hindu Starter, Puttalam district)

Globally recognised entrepreneurial characteristics such as planning and strategising were mentioned by a minority. Risk-taking/fearlessness, innovation, creativity, goal orientation, information-seeking, opportunity-seeking and efficiency were mentioned rarely. In looking at actual business practices through business histories, these characteristics were demonstrated only by a minority of entrepreneurs or absent altogether.

The predominant cultural orientation towards peace of mind and a trouble-free life, as well as social obligations to family and the community, appears to hinder opportunity-seeking, risk-taking and innovation, leading to small, unstable businesses established without sufficient business skills and planning. Lack of planning is very much evident in financing – estimating the size of operation, calculating returns, estimating fixed assets and working capital needs, and understanding the appropriate use of savings/loans for expansion.

While good customer relations (*hithavathkama, hith dinagenima*) is emphasised by the majority of entrepreneurs, behaviour related to opportunity-seeking and taking initiative, such as finding market information, understanding price mechanisms and having better control of them, and finding possibilities to increase production capacity, especially in conjunction with an opportunity for growth (e.g. the arrival of a big order), is limited. The concern for efficiency was also conspicuous mostly by its absence.

Many business people also **do not question** the way things are done, organised or produced - a behaviour which is inculcated in the education of children, both in rural families and in the school system. Questioning things, however, is the basis for **innovation**, with which one can win new customers and markets, and the basis for **understanding** the workings of distribution systems, e.g. to enter new markets or solve raw material shortages. Often such challenges are faced in a **plaintive** manner, by **avoiding the challenge** or rather trying to ignore it. These attitudes are rooted in values related to memorisation, abstraction and authority in formal education. While these need to be changed and own observation, **critical thinking** and practical skills need to be promoted, decades of education reform which have recognized these problems and have tried to promote a more interactive classroom environment have so far failed, with a few exceptions. This proves to a great extent that attitudes and values associated with hierarchy and conformity are deeply entrenched. Thus, extra-curricular programmes such as the Young Entrepreneurs Sri Lanka have an even greater role to play because they act as change agents, by mobilising the dynamic elements within the school system. Moreover, while change

may influence the next generation of business people, attitudes like showing **courage** (*dhairya, shakthiya*), which has high cultural value, can be encouraged to counter conformist attitudes.

Many entrepreneurs are **proud of never having borrowed**, a notion which gives them status since they feel they are at the stronger end of dependency relationships or outside of it. **Banks are often perceived as exploitative institutions**, which enrich themselves by doing nothing. Business people, who have managed to expand their businesses however, have usually taken a loan at least at one stage of their business expansion – grants and loans from family and friends typically used by starters being no longer enough at this stage. Comprehending the difference between indebtedness and dependency on the one hand, and borrowing formal credit on useful terms which helps to grow on the other hand, is necessary.

Micro/small entrepreneurs often do not have the capacity as individual enterprises to produce in the kind of bulk that external markets demand. An option, which could finance growth but which usually is not considered or rejected, is forming **partnerships** with other small businesses. Business people cherish their **independence** and usually **over-rate the value of their own contributions** in knowledge and good will (reputation, brand name, market outreach). **Group production and partnerships** that would enable bulk production **have very little cultural value** - transaction costs include the partner's contribution not being perceived as fair and loss of independence. Moreover, **conflicts and disagreements** are feared - while this is to some extent an attitude linked to having a trouble-free mind/life, it is also a sign of weakness in planning and strategising. People usually only work as partners when they are husband and wife, sharing the work in business. This aversion towards partnering up with another business person is one reason for the existence and strength of **intermediaries**, because the businesses' capacities are usually too small to fulfil intermediary tasks as well, particularly links to bigger markets. Direct market linkages, however, are not only useful for getting bigger profit margins but they also help to gain better knowledge of **client demands** and **new trends**.

However, despite the high value attached to independence (or being one's own master) in owning and running a business among entrepreneurs, the predominant cultural orientation perpetuates **dependency attitudes** in a large part of the population (rooted in both the feudal and colonial past of the island) and a belief that people cannot change things (at least not by themselves with the exception perhaps of the richer and more powerful) and that they do not have any resources – personal, cultural, social, financial - to start improving their lives. Often enough **all participants in such a dependency circle are impoverished**, such as the fisherman, who has to give his fish on credit to a trader, who has to get it on credit and after selling it at a low margin in the local market can only retain a meagre profit. Both are never able to get ahead and actually raise their standard of living and both are always short in terms of liquidity. In other dependency relationships, **one player**, like the *mudalali* (trader), **has reached a better position**, by being able to give credit. While he (usually being a man) holds a relatively high status in the community for being in this position, he is also secretly resented and despised as being exploitative. At the same time, the trader who gives credit has a social obligation to do so and can experience liquidity shortages, which in turn limit his growth capacity.

The dependency syndrome can also be observed in the interactions between micro/small entrepreneurs and the **government**, the former expecting grants and gifts from the latter. This is generally considered consistent with Buddhist norms that prescribe that a righteous ruler should provide for the poor and the destitute. Although these

grants may not be direct hand-outs, but means of production, such as equipment and tools, these do not have a lasting impact and the poor continue demanding subsidies from “their” government as these become perceived as rights due to them. Meanwhile, the government remains under further pressure to provide subsidies, rather than primarily playing a facilitating role for business.

Why their businesses cannot grow

We have to spend a lot of money to buy chicken feed. We need 700g per day – that is Rs. 40. These days there is no income for us so it is difficult to find money to buy feed. I sold some of our paddy and bought the chicken feed. (Female Sinhala Buddhist Starter, Polonnaruwa district)

We cultivate 2.5 acres of paddy. Some earnings from paddy cultivation are also used for this business. I do not earn much profit from this business. If I spend Rs. 1000, the profit is around Rs. 100. I had to pawn one gold chain at the Rajarata Sanwardana Bank at Manampitiya for Rs. 8000. I used this to buy food items for the business. I could not get the chain back. When I get a profit from paddy cultivation I can save it. Earnings from the business are used for the same business and especially for my children’s education. Four of them are going to school and the other daughter is going for some private course. We need a lot of money. It is difficult to save any money to increase the business by expanding the space. I try to sell new food items. I do not have big stocks - the maximum is 2 to 3 kilos of each food item. (Female Sinhala Buddhist Expander, Polonnaruwa district)

I can’t grow the business beyond this. I have large investments and not enough profits. If I have good luck and get a catch of Rs. 50-60 lakhs worth of prawns I would invest it in a coconut estate – it’s easier to manage a coconut estate than this. Every year I have to invest 15-20 lakhs on this business - it’s difficult to manage the workers, they drink too much, ask for too much money to be deposited up front before the fishing season. I who pay 3-4 lakhs of wages per month to my fishing labourers have to ask my brothers in UK earning only around 1-2 lakhs per month to keep me afloat. (Male Tamil Hindu Expander, Puttalam district)

We didn’t take any credit – we like to use our own earnings. The family supported us with Rs. 40,000 to put up the sheds. We don’t pawn either because my two brothers have regular jobs. We do a Rs. 1000 sattu (rotating credit) with 10 others but we use it only to buy goods for the house. Most expenses for the poultry are paid with father’s pension and our earnings from selling coconuts from the garden. (Female Sinhala Catholic Starter, Kurunegala district)

I don’t buy on credit but I have to give credit to customers. People owe me up to Rs. 3,000. Some never pay. (Female Sinhala Buddhist Expander, Polonnaruwa district)

Many people buy clothes on credit. This makes it difficult to buy new stock and petrol for the motor bike. (Male Muslim Starter, Polonnaruwa district)

Religious domain

The general worldview that most entrepreneurs subscribe to, based on their religious and ethnic traditions, also has an influence on business practice. In the case of Sinhalese Buddhists it prevents them to some extent from pursuing livelihoods that are considered taboo, such as livestock rearing for meat, and trading alcohol, or pesticides. Being calm and patient are important values, as well as **being satisfied with what you get** – an attitude which could curb high aspirations and business growth. For Sinhalese Catholics, Tamil Catholics and Hindus, as well as Muslims their belief in God is, and associated rituals are, an importance source of strength and support. Muslims have more encouragement from their religion to pursue worldly success, (“tomorrow should be better than today”) than others. Business and religion appear to be more closely intertwined for Muslims, Hindus and Catholics than for Buddhists.

Those with established businesses, on one hand, wanted to be recognized by the community as those supporting religious life and cultural activities within the community. On the other hand, they were more pragmatic towards religious prescriptions – thus many Muslims borrowed money from banks despite the *riba* (usury) taboo. Practice of rituals that enhance business success was very important for growing businesses. This was especially true for Tamil Hindu and Tamil and Sinhalese Catholics in the Puttalam district – a range of gods and saints were propitiated. Sinhalese Buddhists in Kurunegala district indicated that they performed Bodhi pujas for success in both business and home and that this gave them “mental satisfaction”.

Global domain

Districts such as Puttalam and Kurunegala which are more linked to other areas of the globe through labour migration (Italy and Cyprus in the case of Puttalam; Middle East in the case of Kurunegala), export production (shrimp farming and coir production in Puttalam, cut flowers and copra in Kurunegala) and travel to trade fairs (China, India, Middle East) via Chambers and trader associations provide more exposure to new products and technologies than primarily agricultural interior districts such as Polonnaruwa and Anuradhapura. Global linkages also provide new cultural knowledge, including more enterprising attitudes and values of others. This has a cumulative effect on generating new opportunities and ideas which are especially important for businesses to grow. However micro and small entrepreneurs in the project districts by and large have limited access to global linkages and knowledge. They perceive foreign countries more as sources of employment and higher incomes (through labour migration), than as sources of new business ideas and learning. A minority had invested their earnings from an overseas job in a business at home.

5. What needs to be done

Like in many other cultures, most ethnic groups in Sri Lanka value security and stability in pursuing their livelihoods. The only ethnic group that is seen by others as well as themselves as being comfortable with taking risks is the Muslims. A history and tradition in trading is seen as the primary reason for this. Thus, the major problem in the four project districts is that the majority of entrepreneurs choose to remain in what can be termed their proverbial “**little wells**”- i.e. their immediate social environment around their home villages. This is why most young people looking for an income opportunity stick to occupations practised by their parents and

family, and business people do not grow beyond the realm of this social environment. As this gives everyone a feeling of security, the **social and cultural transaction costs of leaving these safe and secure “little wells” need to be lowered** for enhancing enterprise culture.

The **main cultural barriers to business as a livelihood** are comfort and security in a familiar way of life, the desire for peace of mind and a trouble free life, fear of doing something new and failing, fear of ridicule in case of failure, loss of social status, conformity to group notions and avoidance of conflict, dependency on subsidies or powerful others, and the relatively low status of business people who are negatively perceived to be exploitative and/or driven purely by self gain.

The **main cultural strengths** are that successful business people are grounded in family and community, are perceived to have capital and special knowledge to do business, as well as good customer relations, and are positively considered to be self-confident, independent, hard-working, persevering and trustworthy individuals.

Overall, the challenge remains to find the means to address the weaknesses in enterprise culture prevalent in the four districts by linking changes to positive attitudes and values already existing within the family/community, economic, religious and global domains. The following recommendations propose some ways of going about this in a constructive manner, building on current cultural strengths.

To promote micro and small enterprise development in the Anuradhapura, Polonnaruwa, Puttalam and Kurunegala districts it is important to lower the current cultural and social costs of engaging in business. This can be accomplished through activities such as a social marketing campaign, awareness-raising, and awards to entrepreneurs and public officials who support enterprise development by linking with appropriate institutions and programmes. Influencing the public school and vocational school curricula and working with BDS providers and NGOs facilitating livelihood development interventions are vital steps.

Organisations and agencies, including the Government, that wish to support private sector development need to promote the following:

- Increase respect for business as a livelihood option, hand in hand with respect for practical training, manual work and skilled crafts in general
- Reduce negative dependency of micro-entrepreneurs on government and intermediaries by looking at new options and resources, developing planning skills and increasing self-confidence
- Link business success to prevailing socio-cultural values such as peace of mind, a trouble-free life, independence and supporting the family and developing the community
- Encourage innovation and creativity, and respect for failure and learning by doing
- Encourage information-seeking and opportunity-seeking
- Increase value of capital building, borrowing and saving
- Increase opportunities and social recognition for women entrepreneurs, whether doing business at home or outside
- Provide recognition for government officials who support enterprise development

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