



Feature

ENTREPRENEURSHIP DEVELOPMENT: HOW VALID ARE THE MODELS USED IN SRI LANKA?

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The existence of a positive correlation between entrepreneur development and the level of economic achievement in a given country has been accepted. To induce entrepreneurial spirit among the people to initiate business ventures, Sri Lanka has been engaged since the 1960s in training prospective entrepreneurs; an intervention that has been applied by most of the developing countries. However, the recent research undertaken, indicates that the results of such endeavours in Sri Lanka, have not adequately been able to contribute to the achievement of expected economic standards. The reasons are many and one among them, as argued in this article is, the absence of indigenous cultural orientation in the presently used entrepreneur development models, which are basically developed based on Western cultural assumptions. The article presents a model jointly developed by WUSC-Sri Lanka and BCS as a viable conceptual framework, having the Sri Lankan cultural ingredients.

Entrepreneurship and Economic Development

"Entrepreneurship" has been one of the much debated and researched

area both by Western and Eastern scholars in the context of economic development and strategy making for the developing countries. This is an area which different researchers, whether they are Sociologists, Economists or Psychologists have strived to explain in terms of the assumptions and concepts relating to the context of their specialization.

The Western interest on this subject was aroused especially with Max Weber's (1904) research findings in the beginning of this century. The reason for attaching such a heavy emphasis of research on entrepreneurship was that it began to consider the entrepreneur as the "key force in the economic development" as explained by Schumpeter (1893-1950). Weber's (1904) contribution to the understanding of entrepreneurship is important as his research investigated the positive relationship between religion based Calvinist Protestant ethics and the spirit of capitalism. In this process, adopting a psychological approach, David C McClelland (1961) tried to explain parallel behaviour between highly achievement oriented (N. Ach) individuals and entrepreneurs. McClelland's efforts revealed that it was possible to influence economic growth of

community through training programs conducted aiming at creating achievement oriented entrepreneurs who will in turn formulate enterprises. The training models developed based on this assumption are widely being used in developing countries with appropriate adaptations to suite the respective cultural contexts. In the Asian region, India (NISBUD Model) and The Philippines (UP ISSI Model) have been able to present, develop and effectively use country specific models, but in Sri Lanka, there is no evidence of appropriate adaptations being made to existing models. The models are widely used with no validation of their underlying assumptions which have origins in different socio cultures.

It is the acceptance of the business development experts that there is a positive correlation between entrepreneur training and economic development of developing economies. If this is the case, it is pertinent to observe the achievement indicators of Entrepreneur Development Programs (EDPs) conducted by Sri Lankan agencies to assess and judge the quality of contribution of these programs towards economic development.

Development Institutions and Training Results

According to Ranasinghe, S (1996) "At present entrepreneurship training is conducted by several governmental, non governmental and private sector agencies ... of these agencies full fledged entrepreneurship development programs ranging from one week to four weeks are available with the IDB, SBDC of the Ministry of Youth Affairs and Sports, BCS Ltd, SLBDC and BMB". Another institution which has been engaged in promoting micro businesses in Mahaweli Areas is the EIED of MASL where they have contracted the implementation of EDPs through its Mahaweli Enterprise Development (MED) project to institutions such as TEAMS, Coopers and Lybrand, SLBDC, RDC and BMB Lanka.

There are few independent evaluations or studies undertaken to assess the success rates of the programs conducted by the above agencies other than those that were conducted by the same implementing agency to evaluate its performance through tracer studies. For the purpose of validity and authenticity, the independent studies done are cited in this article.

According to a tracer survey conducted (Unpublished) in 1987 by SLBDC on the Mini Entrepreneur Development Program titled "How to begin an Industry" initiated by the Chamber of Commerce and Industry in 1984 and sponsored by The Asia Foundation (TAF), a success rate of 26% was recorded. This program was considered to be the first comprehensive EDP to be initiated in Sri Lanka. Over a set of similar programs conducted in the Mahaweli areas, Abeyasinghe (1991) indicates a similar result. Accordingly, "78.48%

of aspiring entrepreneurs remained the same after EDP..." It has further revealed that "31.6% of the aspiring entrepreneurs who were trained in EDP were engaged in prospective enterprises in the respective areas of the Mahaweli region. The same EDP evaluations undertaken by Exo and Shah (1991) revealed "only about 20% of trainees in the EDPs for aspiring entrepreneurs were involved in viable businesses after one year". These results suggest an inadequate success rate of the present EDPs conducted in Sri Lanka. All these studies have not considered a control group to compare results than the present success rates recorded. Making an overall assessment, Ellepola (1987) notes that "in Sri Lanka, the entrepreneur development work appears to be still in its infancy..."

Reasons for Low Success Rates

There are different theories suggested as reasons for the low level of success of the EDPs conducted in Sri Lanka. They could be broadly classified as follows:

- (a) Absence of a development oriented support system to provide necessary interventions during the post training period until the take off point. "emergence of entrepreneurship cannot be changed in the short run or manipulated from outside, there are certain other factors institutional support, incentives etc. that can be changed in the short run or injected from outside" Panangala (1987)
- (b) Weaknesses of the selection tools and methods used. According to Mohotti (1993) The lack of a proper procedure for the selection of participants is found to be the main weakness of the existing programs.
- (c) Methodology and the Structure of EDPs. According to Exo and Shah (1991) most of the EDPs

conducted in the Mahaweli areas have no emphasis on the "structure and sequencing... The majority of the trainers relied primarily on their own areas of expertise, and most used subject based structures. In the absence of appropriate teaching materials, it was difficult to link up the course content with the real world of the small scale enterprise"

- (d) Absence of indigenous cultural orientation in the EDPs. "It appears that the EDPs of long duration have a high theoretical content, which reflects a bias towards Western Models. It could be probably due to the fact that the majority of the EDP trainers in Sri Lanka have been trained abroad in the application of Western Models and most EDPs have been funded by Western donors. A weakness in the content of EDPs is that they have not been able to integrate the indigenous entrepreneurship experiences and values in the curricula".

The above situation must invariably stimulate industrial development professionals to re-think about the total process of entrepreneurship practised at present and introduce an indigenous formulation based on the past experiences gathered in the application of different methodologies and available research findings.

Formulation of the IREP Model

The Business Consultancy Services (BCS) which was established in January 1994 as a private sector business development organisation undertook an EDP project with the World University Services of Canada (WUSC) - Sri Lanka, a Canadian non-governmental organization engaged in Human Resource Development in Sri





Lanka. This initial EDP approach was developed by BCS based on the UP ISSI Model (known as The Filipino Model) and Largely CEFE-the GTZ German Model with a little Sri Lankan flavour. As a part of this program, the BCS undertook training of aspiring youth groups in the Southern and Eastern provinces of Sri Lanka. At the end of a series of 5 programs the WUSC-Sri Lanka conducted an evaluation of the program on behalf of Canadian International Development Agency (CIDA) who provided the financial support to WUSC to undertake the EDP project and implement with BCS. The CIDA consultant Ariyadasa, KD (1996) indicated in his study, the need to restructure the contents and to make the EDP closer to the practical business world incorporating time gaps in the program to undertake practical assignments by the trainees.

This evaluation further revealed that the success rate of the program was about 30%. Although, this showed a slightly higher success rate than that of the existing programs, it was not a figure which WUSC or BCS anticipated, in the light of the higher success rates recorded in India ranging from 60% to 80%.

These revelations however created an opportunity to introduce an appropriate Sri Lankan model which has assessed and analyzed the total EDP process to incorporate inputs without error while revisiting the own model of BCS. This task was jointly undertaken by WUSC and BCS to formulate a new version of an EDP to be launched in Sri Lanka. Thus, for the first time in the entrepreneur development history of Sri Lanka,

an indigenous new model named "Initiation, Retention and Expansion Facilitation" (IREF) was introduced in 1996. The model has strived to address many issues relating to enterprise development which were raised by Sri Lankan researchers and BCS.

Key Feature of the IREP Model Selection

The selection procedure of the new approach begins with the introduction of a networking effort to all recruits or those who respond to the EDT promotions. The prospective applicants are given four weeks and during this period they are expected to complete the questionnaire and submit it to the EDP sponsoring agency.

The questionnaire has been designed in such a way that only those who possess the "entrepreneurial spirit" will be able to accurately complete the task. It has been argued that the prevailing cultural practices have negatively contributed to the emergence of entrepreneurs. According to Nanayakkara, G (1993) "In creating the psychological make up and the behaviour orientation required for the emergence of entrepreneurial character, the values transmitted by the elders to the children in their formative years have played an important role. Studies have revealed that in the Sri Lankan context, the values implanted by the elders in the children have created an affiliation orientation rather than an achievement orientation while establishing a dependency relationship between children and adults". Thus, the networking stage of the Pre-Training element of the IREF model acts as a stimulating screening process to take in only those who are victims of the prevailing negative social culture but gained competence to give up or to overcome entry barriers while standing up to the realities of the business world. During this phase, the candidate will be exposed

to environmental constraints/challenges and it becomes a confidence building self discovery/realization process to some who will gauge their entrepreneurial spirit. The others will succumb to the pressures and be screened out from the selection process.

The competence thus gained will help the entrepreneur to overcome the support system related barriers, he/she is likely to face during the post training period. Therefore, this approach, to a greater degree addresses the issue of ineffective service delivery system where the trainees gain personal competence to energise and use the system rather than waiting for system initiated interventions. The candidates who have completed the networking assignment will attend a focus interview and the selection is finalised at this level.

Methodology

The methodology and the subject content of the IREF model is influenced by the GTZ CEFE model. However, it has introduced a more effective logical sequence integrating the personal and business competencies with additional inputs such as organizational management, environmental protection, Gender and Development (GAD) and quality culture. The knowledge, skills and attitudinal areas have been systematically structured to induce key competencies found to be the required psychological ingredients of Sri Lankan entrepreneurs. According to Perera and Buddhadasa (1993), "The successful Sri Lankan entrepreneur is one who takes medium risks, highly persevering, and is highly innovational".

This 21 day action oriented training is conducted giving 14 days to cover in-training inputs and then the

trainees are sent to the respective localities to validate the mock business plans formulated during the second phase. The trainees are given 2 to 3 weeks for field validation activity depending on the quantity and the extent of the information requirements. Thereafter, they will be called again for a one week program at which stage they will be facilitated by the trainers along with support system representatives to finalize the business plans maintaining the compatibility with the procedural requirements of the different financial/service institutions.

The post training phase commences immediately after the completion of the business plan assuming that the entrepreneur has gained adequate competence at this stage to chart his/her own future entrepreneurial career, whilst being in the support network to seek advice as and when necessary. The IREF approach emphasizes that the sponsoring or implementing agencies should formally detach themselves from the trainee after training. A mistake many agencies do, is to formally make the entrepreneur dependent on them during the post training period (entrepreneur's world) where it may kill the independent mentality created during the in-training and make the person a victim of the dependency syndrome. This could be experienced in the Mahaweli areas. This argument is re-inforced by Perera, Travice (1996) "The entrepreneur would need to establish, maintain, and creatively exploit a network of relationships in his path to achievement". The entrepreneur has to dominate in the network to manage the system to manipulate it to his own benefit and not become a slave, which is the case of many limited growth stagnant type entrepreneurs who are victims of the dependency mentality.

Cultural Orientation

Sri Lanka has been engaged in the efforts of entrepreneur development since late 1960s. Evaluating the evolution and the progress of such activities, it is evident that such endeavours have not been able to generate the anticipated outcome. Looking at the training aspect of this process, the absence of indigenous cultural orientation or/and presence of alien cultural ingredients in the hitherto existing EDP approaches have not been able to adequately facilitate the emergence of a class of successful entrepreneurs who were able to transform the Sri Lankan economy into a sustainable growing one.

The models in existence in Sri Lanka are based on the assumptions of McClelland's (1961) theory on Achievement Motivation which has been found to be not applicable in the Sri Lankan context. Basically, it is because the Sri Lankan entrepreneur is culturally different from that of a Western entrepreneur. Perera, Travice (1990) describes that "social power is a key motivator of the Sri Lankan entrepreneur, and this is how networks that extend beyond family and ethnicity bind resource persons together to promote entrepreneurship". This finding is in direct conflict with the McClelland's finding of existence of a correlation between Entrepreneurship and Need for Achievement (N.Ach) which is in essence will take the form of individualism as against the Need for Affiliation (N.Aff.) related to collectivism which is found to be positively correlated with achievements of Sri Lankan entrepreneurs.

Perera, Travice (1996) recommends that "Entrepreneurship, like other types of management behaviour is culture bound While culture changes over time, patterns are persistent, and if entrepreneurship has to be encouraged and

developed in Sri Lanka, that branch of entrepreneurship that best fit the cultural patterns of Sri Lanka".



As an effort to fall in line with the above findings, the IREF Model has incorporated a cultural input at the beginning of the training to culturally align the trainee to visualise an impending positive outcome resulting from the on going training which is achievable and pleasurable. This creates a culturally compatible collectivist mind set in the trainee who is more likely to be successful as an entrepreneur.

Post Evaluations of the IREF Model

A tracer study conducted in 1996 by WUSC-Sri Lanka with a sample of trainees in the Moneragala district who followed the EDT under the new approach has revealed a success rate of 42%.

Conclusion

The usage of foreign approaches in the development of entrepreneurship without adaptations could lead to a negative outcome. This is not a negation of global thinking and behavioural approaches. However, it emphasises the importance of localising or culture specification of such materials in order to achieve optimum outputs to the national economy. Every model has the potential for further growth and expansion with the ever changing needs of the socio-cultural and economic spheres. The IREF Model too can be explored and re-validated on a continuous basis to make it more effective to the prospective entrepreneurial community in Sri Lanka.