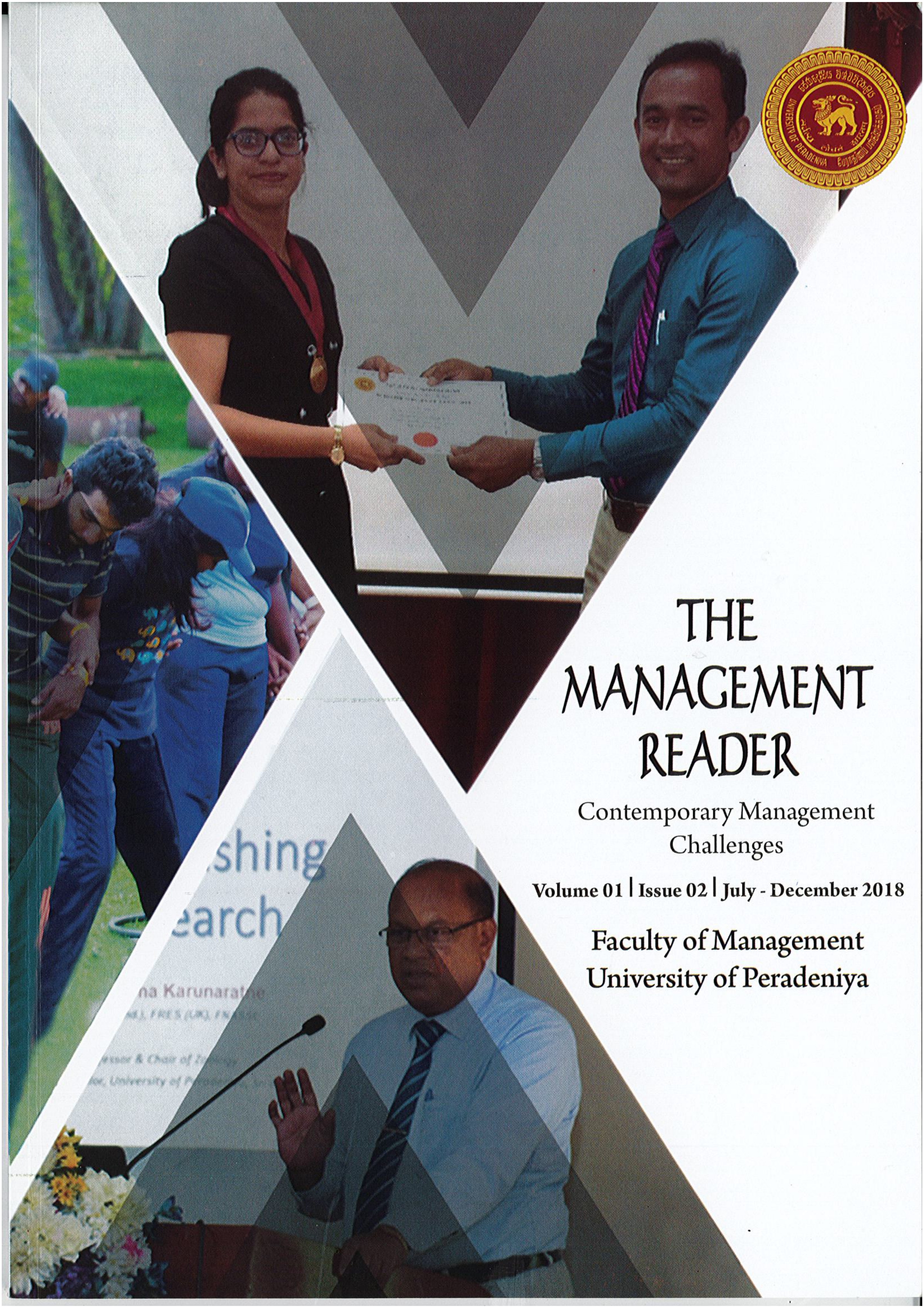

THE MANAGEMENT READER

Contemporary Management Challenges

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Faculty of Management
University of Peradeniya

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Editor's Note

It is with immense pride and satisfaction that we present the second issue of the "Management Reader" magazine. The theme of the second issue is titled as "Contemporary Management Challenges". In the last five years we as a Faulty have grown in expertise as well as resources and are thus engage and present varied discourse about the discipline and the profession.The first publication was well received by both the academic community and the public. From within the Departments of the Faculty of Management there was open enthusiasm. The launching of the Management Reader took place with the presence of Vice Chancellor of University of Peradeniya, giving it high praise. He acknowledged that a relatively young Faculty had embarked on a venture that was truly scholarly and academic. The Dean of the Faculty of Management acknowledged and endorsed the contribution the magazine of the nature could do to the Faculty. Thus, it was decided that the original structure of the magazine with the four sections should be not changed. To enhance the quality of the magazine, it was further decided to enhance the critical aspects of the magazine by a section entitled letters to the Editor which will be an open forum for readers to browse and reflect on the contents of the magazine. Following the practice we incorporated and followed in the first publication we invite papers or interviews and book reviews related to the field of management, from both local and international experts and researchers.

I thank all the members of the editorial board for their patience and hard work. I also thank the contributors for their impressive engagement with the discipline and commitment to research.

Editor-in-Chief

Faculty Events

Focus Group Discussion - AHEAD Project

A focus group discussion was held on 06 June, 2018 at the Faculty to take views of the stakeholders on board into the proposal submitted under results area 2 of the AHEAD project (i.e., Enriching Learning, Teaching, Assessment and English Language Skills Enhancement). The categories of stakeholders participated in this session include the professionals from different business functions such as accounting and finance, human resource management, marketing, operations management and general management. Apart from the professionals, all academic staff members of the Faculty of Management, student representatives from various levels of the degree programme were also present. The notable feature is that a number of invitees from the industry are also from the alumni of the Faculty. In addition, Director, OTS of the University of Peradeniya was also presented at the session.

After presenting the proposed activities, participants were invited for a discussion in the form of Q&A session in order to get their inputs. Further, written feedback was also obtained from them to analyze their responses with regard to the proposed activities. The required changes have been made into the final version of the proposal to address each and every comment made at this discussion.

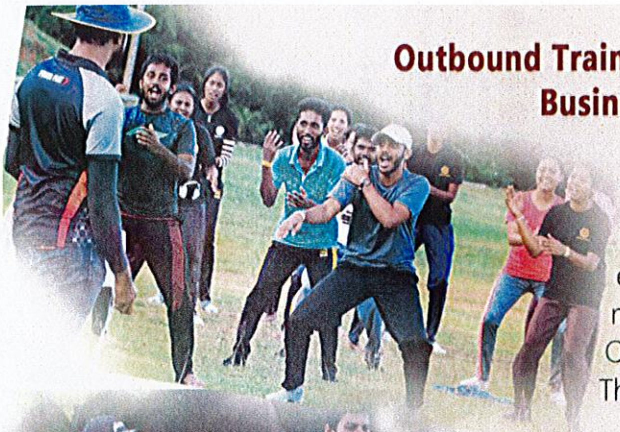
Launching Ceremony of the Faculty Magazine and the Faculty Journal

The first volume of the Faculty Magazine 'Management Reader' and the Faculty Journal 'Peradeniya Management Review' was launched on 03 April, 2019 at Auditorium, Faculty of Management, University of Peradeniya.

The edition of the Management Reader is compiled under the theme of 'Contemporary Management Challenges 'and the magazine carries a wealth of research findings emanating from the academics of the Faculty of Management, in a manner so that it will be understandable to non-experts whilst making new knowledge available for dissemination.

Faculty Journal 'Peradeniya Management Review' is a bi-annual journal publishes research articles, review papers and book reviews related to Management, and Accounting and Finance submitted by researches in local and foreign universities and research institutes.

The occasion was graced by the presence of Vice Chancellor, Deputy Vice Chancellor, Dean- Faculty of Management and Academic Staff. This event was remarked as another successful milestone of the Faculty fulfilling one of prime duties of disseminating knowledge to the community.



Outbound Training (OBT) Programme for Bachelor of Business Administration Students

Internship Committee of Faculty of Management, University of Peradeniya organized an OBT programme for third year BBA students. The programme intended to enhance students' soft skills such as teamwork, leadership, negotiation, problem solving and concept developing. The OBT was held on 30 November, 2018 at MAS Athena , Thulhiriya, Ambeypussa.

Orientation Programme for the New Entrants (2018/19Batch)

The Orientation Programme for the new entrants (2018/19 Batch) to the Faculty of Management was held on 19 December, 2018 at the Faculty Auditorium. The Chief Guest for the event was Prof. Upul B. Dissanayake, the Vice-Chancellor, University of Peradeniya and with other dignitaries including Deputy Vice-Chancellor, Dean, Faculty of Management, Deans of other Faculties and the Academic Staff members and Administrative Officers.

Undergraduate Internship & Research Symposium-2018

The third Undergraduate Internship and Research Symposium which consists of internship and research components, was held on 04 April, 2019 in the Faculty premises. Mr. Lawrance Madapatha- Executive Director, BOI zones participated as the Keynote Speaker, and the event was graced by Prof. S.H.P. Parakrama Karunarathne, Acting Vice-Chancellor, Dean of the Faculty, Heads of the Departments, Academic Staff , ELTU staff, Non-academic staff members and students.

The purpose of organizing this event was to provide opportunities for students to share their research findings and insights gained during their internship and research periods. The winners were awarded with gold medals and certificates based on their performance which was evaluated by few panels of experts. All participants were awarded certificates in recognition of their participation.

Qualitative Research from Business Management Perspective

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How does the qualitative research different from the quantitative research?

In quantitative research, researchers are collecting and analyzing data mainly the numbers in order to test a hypothesis derived from the literature or a theory. Therefore, quantitative research is confirmatory in nature which focuses on close-ended kind of research questions. For example, we can do a research on the research question of "Is there a relationship between customer relationship management and sales revenue in an organization?". On the other hand, in qualitative research, researchers are collecting and analyzing texts which are in forms of participants' experience, stories, explanations and feelings etc. At the end of the analysis, qualitative researcher will develop categories or themes to answer the research questions. Therefore, qualitative research is more exploratory in nature. For example, someone can do a qualitative study on exploring "How customer relationship management influence on sales revenue in an organization?" In essence, researcher needs to develop a theory or an explanation at the end of the qualitative research.

What are the situations for using qualitative research in business management?

We can use qualitative research in exploring a phenomenon or a complex issue in its natural setting. For example, someone can study workplace bullying by focusing on how it happens, what factors have led employees to engage in bullying and how bullying has influenced on organizational culture. Further, it can be used to explain a process or behavior in an organization. For example, we can do studies on customer value creation process, employee citizenship behavior and change management process. We can also use qualitative research for describing organizational issues such as customer switching, employee disengagement, and strategic drifting using non-numerical data. Moreover, business management researchers can collect participants' stories and then retell those stories to address the research questions. For instance, someone can undertake a study to uncover the stories of local entrepreneurs focusing on how they started and thrived in businesses.

How does the qualitative data analysis looks like?

Qualitative data analysis can be explained as a process of reducing data without losing the meaning of data. As a qualitative analyst, you should always answer the research questions set out in the beginning while representing the data through the categories and themes generated at the end of the analysis. Therefore, if the analyst loses these two phenomena, it cannot be considered as an effective analysis where the evaluation board may request the researcher to reconsider and redo the analysis.

Qualitative analysis is an art that the researchers have to master. This artistic process encourages the analyst to be creative by looking at different potential explanations by uncovering underlying meanings of the data to see the multiple realities. Further, it inspires researcher's subjectivity since the researcher has to interpret the data based on his or her understanding and also the researcher's background, beliefs, biases and values influence the analysis. Positivistic researchers see the subjectivity as a weakness, but this is one of the strengths in qualitative research as well. The subjectivity of qualitative analysis leads to promote transparency of the process. In other words, researcher needs to illustrate how he or she arrived at categories and themes at the end since the analysis is undertaken by the researcher privately. This is important to encourage the research community to believe the findings of the research and also to facilitate the future scholars to understand or to repeat the same process. This is known as the credibility of qualitative analysis.

What are the steps to be followed in qualitative data analysis?

The sequence of steps involve in qualitative analysis is varied based on the research approach selected in your study. However, someone can follow the common or the generic strategy in the analysis irrespective of the research approach. So, I will briefly explain the main steps in this generic strategy. Firstly, researcher has to develop the codes and it is about labeling the significant information in your raw data. Secondly, the codes should be grouped together to come up with the categories and this stage is known as sorting. Thirdly, the categories should be further combined to develop the themes. In this stage, researcher should make sure that the themes are qualified enough to address or answer the research questions. If someone is engaging in grounded theory approach, there is a need of moving in to another stage of analysis called 'theorizing'. In this final stage, researcher can build an explanation in order to properly represent the themes generated in the earlier stage.

What is the purpose of using computer-assisted qualitative data analysis Software (CAQDAS) in qualitative analysis?

Qualitative researchers prefer to do the manual analysis since it is easy to undertake. However, this manual method is useful and feasible when there is a less amount of data is available. For me, the less amount is around 3-5 transcripts where one of the transcript consists of only 3-4 pages. However, when a researcher encounters a large number of transcripts (e.g. more than 10) and one transcript with many pages (e.g. 8 pages), then it is advisable to use a software for the analysis. At the moment there are many softwares namely Nvivo, Atlas ti, and Maxqda etc. Specially, it is easy to develop the codes and memos, present the findings and discover the relationships between categories or themes by using software than doing it in manually. However, there is a misconception regarding the role of software in qualitative analysis. In qualitative research, software does not develop the codes for the researcher and instead the researcher should develop the codes by him or herself using the software. Therefore, researcher is an instrument in qualitative research where his or her involvement is paramount in the analysis process.

What are the common problems in qualitative research?

As I have evidenced most of the problems in qualitative research is available in the stage of analysis. One of the frequently found problem is the inability of the categories or themes to address the research questions and therefore, the researcher should focus on the research questions throughout the analysis process. Another issue is the emergence of too many or too few themes and overlapping themes as a result of unconvincing and under-developed analysis. In addition to that, sometimes qualitative researchers are failed to provide a rich or thick description by properly explaining the context of the study. This is important because context is everything in qualitative work where the researcher needs to go beyond surface level explanations to add the context of the data.

Why Transformational Leaders are in Demand?

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Today organizations are continuously confronted by social developments such as globalization, technological improvements and increasing global competition. Therefore, organizations need to prosper in an environment where everything is uncertain and unpredictable. As a result organizations always try to adjust themselves in dynamic contexts which demand constant adaptation. To enable organizations to navigate the current challenges and endure in the future, business transformation is a must and leaders play a crucial role in this transformation process. Thus the objective of this essay is to promote a shared understanding of the raising role of transformational leadership in complex and dynamic business environments.

Change is inevitable and the traditional ways of managing organizations are becoming obsolete since the complexity within the business environment is forcing organizations to transform their business strategies to align with varying demands. Similarly, companies have to be able to address all the changes in the environment which help them to achieve competitive advantage over the competitors. However in this context, organizational policies and practices have to be adjusted in different ways and management must pay attention to both structural and cultural conditions that exist within the firm. Consequently, in the dynamic setting where uncertainty challenges the survival of organization, they require leaders who address respond to the emerging challenges by developing strategic plans, innovation, creating engagement and inspiring others. Irrespective of nature and sector of business, organizations require effective leaders who possess diverse leadership skills to direct when the changes are likely to become challenges for those organizations.

In terms of leadership behavior, leaders may demonstrate different leadership styles in organizations such as Charismatic leadership, Authentic leadership, Transactional leadership, and Transformational leadership. When the organizations develop their leaders, it is important to recognize what benefits these particular leadership styles can bring to different business contexts and how they can contribute to the success of the organization. Furthermore, modern businesses need leaders who inspire changes among their followers and drive towards transformation in order to reinvent themselves in competitive business environment. Thus, transformational leaders are in demand more than ever since transformational leadership is about championing transformational change throughout the organization.

The origin of transformational leadership theory can be traced to seminal works of many academics and researchers. Burns (1978) first introduced the concept of transformational leadership and identified transformational leaders as energetic, enthusiastic, and passionate leaders who believe in them and their work. Later Bass expanded theory of transformational leadership in 1985 and he argued that a transformational leader is someone who is really able to recognize the need for change and pursue change in collaboration with others. It proves that transformational leaders have the ability to change and move things in a big way which integrate the organization's strengths and weaknesses with emerging opportunities and threats. Thus it can be acknowledged that the inherent characteristics of a transformational leader are needed in today's growing and unpredictable world of business.

Increasing level of technological complexity, changing consumer behavior, rivalry among firms, globalization and rapid transfer of information have boosted the recognition of human capital as the major source of sustainable competitive advantage. Knowing that, transformational leaders focus on changing and transforming people to renovate organizational performance. For instance, the founder of Virgin Atlantic Group, "Richard Branson" is one of well-known transformational leaders who has the ability to bring changes to organizational culture and he makes major changes in times of distress while boasting higher levels of organizational performance. The above fact implies that transformational leaders act as change agents in the business environment and it is known that the concepts of transformational leaders and the organizational change intuitively support each other.

Moreover, transformational leaders act as strong role models to followers which provide followers with a vision and a sense of mission. Transformational leaders are able to visualize positive outcomes in the future. Through inspiring vision, leaders help to set amazing goals to transcend the status quo to do something for others. Visionary leadership and charisma of transformational leadership influence on fundamental changes within organizations. One of the best examples of theses leadership characteristics is" Steve Jobs", who had the skills to recognize vision for Apple company and achieve it through innovation. Researchers identify Steve Job as a transformational leader who has solid focus on end goals that no one believes that they are even possible. His creativity and innovation laid the foundation to be a great leader while his ability to encourage subordinate to be innovative made him a famous transformational leader. "Walt Disney" is also one great visionary leader who took great pride in being able to do what others found to be impossible. His vision is designed to encourage an organization to aim higher and have greater expectations.

Individual consideration is significant in the knowledge economy since the companies no longer depend on its product, but in its people. So individual consideration provides a supportive climate in where leaders listen carefully to the individual needs of followers (Northouse, 2013). Individual consideration is one of the key behaviors of transformational leaders which assist followers to find themselves developing, growing and changing for leaders. More specifically, transformational leaders develop followers through coaching and mentoring. This can help with positive employee outcomes such as job satisfaction, self-efficacy, and affective commitment.

Further studies have stated that transformational leadership as one of the emerging leadership styles in the modern business context since no company is in a stable environment today and the unique characteristics of transformational leaders direct for achieving desired changes in the surrounding. Not only that but also, this leadership style makes a significant impact on followers and eventually on cultural, economic, social and political structure.

Power of trust is an essential element in modern employee-employer relationship since feelings of insecurity may create conflicts and disputes in workplaces. But transformational leaders value trustworthiness which leads to build at sense of integrity even in uncertain situations. Further, transformational leaders pay attention on subordinates' psychological well-being by giving emotional support such as appreciation, respect, openness, and feedback. Hence, transformational leadership can be identified as an inspiring form of leadership style for present-day employees who are highly talented and focused on their professional desires.

As an inspirational leadership style, transformational leadership behaviors smooth the progress of organizations to be an attractive workplace where leaders value their followers by empowering them, restructuring workflow patterns, showing path to continuous innovation and promoting high involvement organizational culture. Thus, it can be concluded that organizations can achieve sustainable competitive advantage when organizations understand that dynamic environment needs leaders who can identify, communicate and find visionary ways to transform the organization.

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Inventory Management Using Value-Based Economic Order Quantity Model

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Maximizing the firm value is the basic financial aim of an enterprise and among the factors that influence this are the net working capital and the components which create it, such as inventories, operational cash balances, cash tied in accounts receivable and accounts payable. Lately, reconstructing of classical financial models relating to optimum current asset management with profit maximization perspectives has been trending among researches and financial inventory management is a major area focused under it. Among the number of definitions and concepts about inventory management, Kotler (2000) defined it as all the activities involved in developing and managing the inventory levels of raw materials, semi-finished materials, and finished goods so that adequate supplies are available and the costs of over and under stock are low. Also Schroeder (2000) established that there are three motives for holding inventories, which are transaction, precautionary and speculative.

The Economic Order Quantity (EOQ) is one of the most commonly used inventory models which gives an ordering quantity that minimizes the balance of cost between inventory holding costs and re-order costs based on assumptions such as the stock holding costs, ordering costs and price per unit are known and constant, no stock-outs are allowed and so on, which are unlikely to be observed in practice and also EOQ rationale ignores buffer stocks that cater the variations in lead-time and demand. But even with these drawbacks EOQ model is a good starting point for further model developments. Thus, Value-Based Economic Order Quantity model (VBEOQ) is developed as an extension of EOQ with components added which are related with the maximization of firm value. The base of value-based inventory management is the argument that the firm's value would increase if the negative impact of the opportunity costs of holding inventory is lower than that of the advantages of holding the inventory. The relation of inventory to the value of the firm can be shown from the following equations:

The firm value can be calculated as

$$\Delta V_p = \sum_{t=1}^{n} \frac{\Delta FCFF_t}{(1+k)^t},$$

where: ΔV_p = firm value growth; $\Delta FCFF_t$= future free cash flow growth in period t, and k = discount rate (average weighted cost of capital (WACC)) and future free cash flow can be taken as: $FCFF_t = (CR_t - CE_t - NCE) \times (1-T) + NCE - Capex - \Delta NWC_t$

Where: CR_t =cash revenues on sale; CE_t = cash expenses resulting from fixed and variable costs in time t; NCE = non-cash expenses; T = effective tax rate; ΔNWC = net working capital growth; and $Capex$ = capital expenditure resulting from operational investments growth. The net working capital in the above equation is the part of current assets, financed with fixed capitals and it is calculated as:

$NWC = AAR + INV + G - AAP$ Where: AAR = average level of accounts receivables; INV = inventory; G = cash and cash equivalents; and AAP = average level of accounts payables.

It can be seen that when the inventory level increase it will increase the net working capital which in turn will lower the free cash flow and vice versa. Inventory changes also influence the firm's financing cost of capital (k) and the lifetime of the firm (t) (as a result of production cycle breaks due to low inventory level leading to operational risk). Therefore, all the above factors accumulate to the fact that inventory management decisions impact the firm value. VBEOQ model is developed with the aim of minimizing the opportunity costs of holding inventory such as storage, transport, insurance, wasting, spoilage, and obsolescence costs in addition to minimizing the operational inventory costs considered by EOQ.

There are two equations to form the EOQ model; one to calculate the optimum and quantity and then to calculate the total cost of inventory.

$EOQ = \sqrt{\frac{2 \times P \times K_z}{K_u}}$ Where: EOQ = economic order quantity; P = demand for the product in the period; K_z = cost per order event; K_u = holding cost per unit in the period (Comprises of alternative costs and operating costs of inventory). The total cost of inventory (TCI) is calculated as: $TCI = \frac{P}{Q} \times K_z + \left(\frac{Q}{2} + Z_b\right) \times v \times C$ Where; Q = order quantity, v = purchase cost per unit, C = holding cost factor and z_b = minimal stock. Holding cost per unit is the multiplication of holding cost factor and the purchase price $(K_u = C \times v)$, therefore VBEOQ incorporates the tax rate (T) and cost of capital financing the firm (k) in C. Then the modified formula for value-based economic order quantity is: = $\sqrt{\frac{2 \times (1-T) \times P \times K_z}{v \times (k + C \times (1-T))}}$. It was proved that even if VBEOQ gives a higher total cost of inventory than EOQ, it ties up less cash in inventories which provides the benefit of lower opportunity costs. In conclusion it can be seen that decisions regarding inventory are complex with goals which are negatively correlated with each other. For example, higher inventory can increase the income from sales the flexibility given to the customers to make purchasing decisions and it also decreases the risk of production breaks. But in contrast, excess cash tied in inventory increases the costs of the company for inventory service and opportunity costs. Even though VBEOQ is a modified approach to take decisions regarding inventory, some of the drawbacks in EOQ still remain unsolved. But this model helps the managers to take inventory management decisions with more speculation on the overall firm value.

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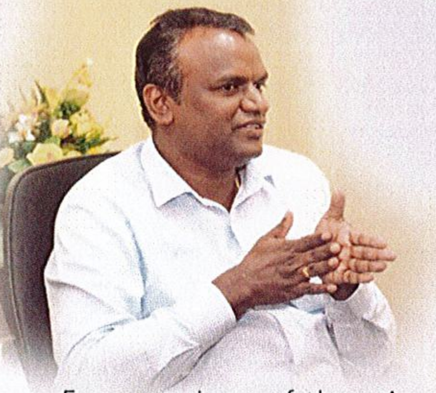
Department of Business Finance



Accounting & Finance Research Forum

Accounting and Finance Research Forum is one of the events organized by the Department of Business Finance to assist young scholars to disseminate their research findings and interim results. This will also provide them with a platform to enhance their conceptual and empirical knowledge in the particular field of study as they will be able to get feedback from the expertise in the said discipline. Four sessions of the Accounting and Finance Research Forum have been organized by the Department in 2018 where Mr. D.D.C. Kavinda, a Temporary Lecturer of the Department of Business Finance, Mr. S.M.U.T.S. Subasinghe, a Senior Lecturer of the Department of Business Finance, Mr. Thusil Weerasekara, Deputy Bursar, Financial Administration Division of the University of Peradeniya, and Ms. Bashini Dissanayake, Accounting & Finance graduate of the Department of Business Finance have presented their papers in the forum in front of a gathering of the staff of the Department of Business Finance and the Faculty of Management.

Department Seminar Series

Seminar Series of the Department of Business Finance is a monthly event organized by the Department to provide its students with an exposure on the practical application of the theories and concepts that they have learnt in the classroom. Industry experts in Accounting and Finance will be invited at the podium to explain the "world of work" in relation to accounting and finance profession. Several seminars have been conducted by the Department in 2018 with the help of its industry partners. In one of the seminars, Ms. Krishni Balasubramanium, Director, Neptune Edification delivered a motivational speech on how to groom students' Career and Personality. Further, Mr. Shamri Ahafrudeen, the Chief Operating Officer, of the Esoft Metro Campus was invited at the podium to share his corporate experience on employability skills and personal branding which are necessary to compete in the corporate world. Dr. Eshani Beddewela, Senior Lecturer in Corporate Social Responsibility, Department of Management, Huddersfield Business School, University of Huddersfield, the United Kingdom was also among the resource persons list in 2018 and delivered a talk on "Creating a Responsible Enterprise for Tomorrow." The Department extended the seminar series in 2018 with the workshop organized in collaboration with the Colombo Stock Exchange on the topic of "Recent Developments in Capital Market." Most of these seminars were attended by the students specialized in Accounting and Finance students in other study disciplines and the staff of the Department of Business Finance and the Faculty of Management.

Department of Business Finance

Champions – Inter University Finance Quiz Competition – 2018

A team of five undergraduate students representing the Department of Business Finance of the Faculty of Management has won the Inter University Finance Quiz Competition – 2018 organized by the Department of Finance, Faculty of Commerce and Management Studies, University of Kelaniya in collaboration with Moody's Analytics Knowledge Services. The team was awarded with a trophy and a cash price of Rs. 50,000. This is the second time in 2018 that students of the Department of Business Finance have won a similar championship as they were the champions in an earlier competition organized by the Department of Accountancy & Finance, Faculty of Management Studies, Sabaragamuwa University of Sri Lanka.

Out Bound Training Programme – Welikandha

The Department of Business Finance organized an Out Bound Training Programme for 4th Year Accounting and Finance specialization students at 23 Division, Welikanda, in July 2018. The programme intended to enhance students' soft skills such as teamwork, leadership, negotiation, problem solving and concept developing. The staff members of the Department of Business Finance have also participated at the event.

Efficient Market Hypothesis

The Way Forward

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Are stock prices predictable? Suppose, if you can use an equation to predict stock prices, investors would gain profits simply by purchasing stocks that the fitted model implied are about to increase in price and by selling those stocks about to fall in price. However, given all available information, if prices are offer to fair levels it may be increased or decreased only in response to new information. Merely, new information must be unpredictable. Thus, stock prices that change in response to new (unpredictable) information must also move unpredictably. Therefore, the principle argument is that the stock prices should follow a random walk. It means the stock price changes should be random and unpredictable. A random walk would be a natural result of prices which always reflect all current information. If stock price movements are predictable, it would indicate that all available information is not already reflected in stock prices. Thus, the concept that stocks already reflects all available information is referred as the efficient market hypothesis.

The efficient market hypothesis states that the prices for stocks are efficient with respect to available information. An efficient stock market is where stocks adjust rapidly to the arrival of new information. Therefore, the current prices of stocks reflect all available information about the security. However, market activities or analysis of historical and present data cannot help investors to predict future stock prices or to earn gains. This is referred to as an informational efficient market. Fama (1970) distinguished three forms of efficient market hypothesis: weak form, semi-strong form and strong form. These forms differ by their views on what is meant in the term 'all available information'.

Weak form efficient market hypothesis asserts that the current stock prices fully reflect all historical market information such as historical sequence of prices, trading volumes and any other market generated information. Moreover, it assumes that the stock prices are adjusted rapidly according to the arrival of new market information such as past price and return trends. Further, the weak form efficient market hypothesis is consistent with random walk hypothesis, which stock prices move randomly and price changes are independent of each other. Therefore, it is not possible for investors to earn an abnormal return based on historical price or return information. The researchers test the weak form efficient market hypothesis through measuring autocorrelation among stock returns. The autocorrelation test measures the significance of positive or negative correlation in returns over time.

The semi-strong form efficient market hypothesis states that the current prices incorporate all publicly available information. In addition to past prices, such information includes earnings & dividend announcements, price to earnings, dividend yield, market to book values, stock splits, new issues and news about the economy and politics. According to semi-strong form efficient market hypothesis, prices adjusted rapidly according to market and public information. Thus, it is not possible for investors to produce abnormal returns. The researchers test the semi-strong form efficient market hypothesis using event tests and regression/ time series analysis. The semi-strong form assumes that the market is reflective of all publicly available information. Thus, an event test measures the stock both before and after an event. Regression/ time series tests recall that a time series forecasts returns based historical data. Consequently, an investor should not be able to achieve an abnormal return using these tests.

The strong form efficient market hypothesis states that the stock prices reflect all information relevant to the firm, even including inside information. Inside information is information about a firm which is available only to 'insiders' including corporate executives/ officers, directors and major-shareholders. Some would argue that corporate officers have access to information before public. It enable them to make profit from trading on that information. Therefore, most of the Securities & Exchange Commissions are directed towards preventing insiders from exploiting their privileged situation. The tests for the strong form center on groups of investors with excess information. These investors would be insiders, exchange specialists, analysts and institutional financial managers.

Under the efficient market hypothesis, stock prices must always be a full reflection of all available information and should follow a random walk process. Market efficiency implies the absence of pure arbitrage opportunities. Successive returns should therefore be independently and identically distributed. Therefore, the presence of long memory in stock returns contradicts the weak form of the market efficiency hypothesis. The existence of long memory or long range dependence in stock returns has been an important subject of both theoretical and empirical research. The researches test long memory of stock returns using Autoregressive Fractionally Integrated Moving Average (ARFIMA) assuming stock returns are parametric, Rescaled Range (R/S) test assuming stock returns are non-parametric and Geweke and Porter-Hudak (GPH) *test* assuming stock returns are semi-parametric. If stock returns display long memory, the series realizations are not independent over time and values from the remote past could use to forecast future returns. However, the potential presence of long memory suggests that the current information is highly correlated with past information at different levels. It means the stock returns reflect time dependency in the generation of information flows to the market and therefore distant returns impact current returns. Further, the presence of long memory in stock returns contradicts the weak form of the market efficiency hypothesis, which states that, conditioned on historical returns, future asset returns are unpredictable.

Further, efficient market hypothesis assumes that all relevant information is rapidly incorporated in security prices as released. However, researchers and investors disagree with the efficient market hypothesis both empirically and theoretically. The focus of discussion is shifting from efficient market model to the behavioral and psychological aspects of market players. Behavioural finance is the study of the influence of psychology on the behaviour of financial practitioners and the subsequent effect on markets. Behavioural finance is of interest because it helps to explain why and how markets might be inefficient. It comprehended that unlike traditional economic theory, psychological theory could account for the irrationality in behaviors. It is claimed that stock prices are predictable and it is possible to consistently and purposefully outperform a given market using these predictable patterns. Then, are stock prices predictable?

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Lean Exhibition in Manufacturing - 2018

Ethics and Advertising

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Role of Advertising in the Society

The role of advertising in the contemporary business world cannot be toned down. The turbulent and dynamic market forces have made advertising experimental and innovative. Advertising is being used as a technique of inducing the minds of the general public to purchase goods. If a company designs and implements advertising correctly, it will be a powerful tool to reach and secure a wider customer base.

As consumers we are exposed to hundreds and thousands of commercial messages each day. Every time we pick up a newspaper, turn on the radio, watch television and even when we drive on the road we exposed to advertisements from different companies. Even though we come across lot of advertisements daily, most of the commercials remain unnoticed due to the clutter and monotonousness.

To break this monotony and to make advertising catchy, marketers are dishing out a wide variety of advertisements in creative ways. But while dispensing its role as a dream merchant, advertising has also been in the vortex of controversy of the many ills that it brings to society. Being business entities, sometimes companies are carried away with their profit motives. They forget that they are a part of the society, and they have a responsibility towards the society. Mostly, advertisements are accused of encouraging materialism and consumption, stereotyping, causing customers to purchase items which they have no need of purchasing, taking advantage of children, manipulating consumer behavior, using sex to sell, comparative advertising, targeting of ethnic minorities, negative political advertising and generally contributing to the downfall of the social system (William, 2007). Advertising is used more as a persuasive communication tool thereby creating serious impact on the tastes, values and lifestyles of the society.

It is a powerful force in terms of its pervasiveness and plays a critical social role. Moreover, advertisements play a powerful constructive role in the economic growth of a country. On the contrary, they can often play a negative role in hurting the sentiments of an individual or the society.

Controversies face by Advertisers

Ethics mean accepted principles of right or wrong that govern the conduct of a person, the members of a profession and the actions of an organization. Business ethics are some accepted principles of right or wrong governing the conduct of business people.

The field of advertising is extremely wide and varied. Simply advertising has two basic purposes: to inform and to persuade. The ultimate objective of advertisers is to increase sales, gain more customers and increase the demand for the product by presenting a well decorated, puffed and colorful advertisement. Advertisers claim that their product is the best, having unique qualities than the competitors which is more cost effective and more beneficial.

Critics of advertising claim that advertising has several adverse effects on the society. One such claim is that advertising impede the taste of consumers by presenting irritating and aesthetically unpleasant displays. Especially inappropriate advertisements for children could lead to psychological effects because children do not have the knowledge and skills to evaluate advertising claims.

Advertising also can have a humiliating influence on cultural values by nurturing consumerism and bringing forth destructive patterns of consumption. In a consumerist society people believe happiness is consumption and material possession. People are constantly bombarded with advertisements urging them to buy things, creating unwanted needs in people. Advertisers sometimes include religious themes or images to sell products and it is unethical to use such symbols superficially which exploits religion.

Most of the time heavily advertised brands cost much more than private labels, non-branded or store-branded products. For instance, a pair of branded shoes costs three to four times higher than the generic pair of shoes, where, marketers transfer advertising and promotional costs to the consumers in the name of the brand.

Most criticisms of advertising focus on the deceptive aspects of modern advertising. Deceptive means claims that are factually false and misleading reasonable people (Arens, 2006). Advertising can betray its role as a source of information through misrepresentation and by withholding relevant facts. Such deceptive advertising violates the consumers' right to choose for themselves. When it comes to pharmaceutical advertising, it helps to create awareness but the tricky point is that the advertiser only portrays the benefits of the medicine but not the side effects and the risks involved in intake of the same.

Another major concern is advertising harmful products such as alcohol, cigarettes and tobacco. As per National Authority on Tobacco and Alcohol Act (NATA) of Sri Lanka, advertising of alcohol and tobacco related products is strictly prohibited.

Moral and Ethical Principles for Advertisers

Advertising by its nature, is not complete information. People know that it is biased in favor of the advertiser and people do not mind the puffery. But advertisers have the challenge to not to cross the line between simply giving their point of view and creating false expectations where people start to object (Sheehan, 2014). Advertising in a way is manipulative, because it is the creation of desires in consumers for the sole purpose of absorbing industrial output, hence creating unwanted needs and wants (Velasquez, 2011).

A case was filed against the McDonald's Corporation claiming that the company's approach to advertising highly processed food caused obesity and other problems, including hypertension and diabetes. Some argue that consumers cannot blame McDonald's if they choose to eat at its fast-food restaurants. But the question remains as to whether it is ethical to promote such harmful products causing illness for the human beings. McDonald's now offers nutritional information in its restaurants and online. They also offer healthier options, as well as fruits and salads on both adult and children's menus (William, 2007).

Ethical advertising means doing what the advertiser and the advertiser's peers believe is morally right in a given situation. Advertisers should be mindful to communicate the content honestly and properly without any deception. Further, advertisers should respect the dignity of human beings and his freedom to choose. This is very crucial when it comes to vulnerable groups like children, young people and disadvantaged people. Social responsibility is doing what society views as best for the welfare of people in general. Together, ethics and social responsibility can be seen as the moral obligation of advertisers in which they should not violate basic social values even when there is no legal obligation (Sheehan, 2014).

Advertisers should establish voluntary ethical codes and train the staff to strictly comply with them and groom staff to have conscience of advertising. In contrary, the state also has a role to play. Government should ensure that morality and social progress are not endangered through the misuse of media.

Advertising could play a fairly constructive role in the exchange of information and should thrive towards eradicating socially destructive aspects of advertising and also perceive extremely high ethical standards with regard to human dignity, truthfulness and social responsibility.

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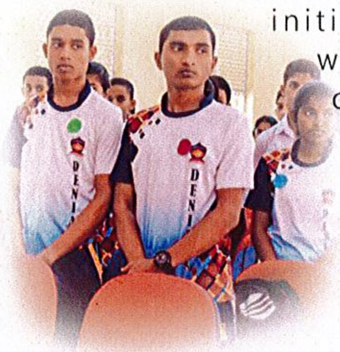
Department of Human Resource Management

Dinning Etiquette for Professional Life

A workshop on dinning etiquette for third year HRM undergraduates was held on 28 September, 2018 at Oak Ray Regency, Peradeniya. The aim of this workshop was to create an opportunity for participants to learn and practice proper dinning etiquette. The workshop was conducted in experiential learning format by certified trainers.

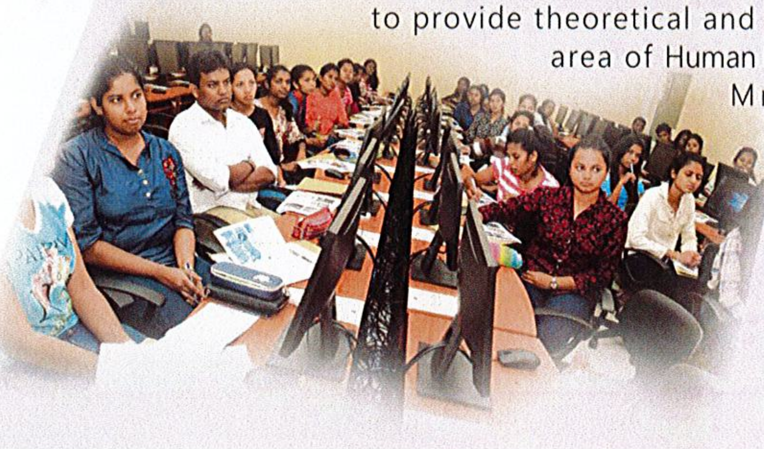
Students Today, Leaders Tomorrow Leadership: Workshop for School Prefects

HRM Guild - the students' association of Department of Human Resource Management organized a leadership workshop for school prefects as part of their CSR initiative. The purpose of the workshop was to build and enhance leadership competencies of school prefects and to inspire them to take up leadership positions in the future. The programme was successfully held on 02 November, 2018 at Faculty premises with the participation of 43 school prefects representing different schools in Kandy district.

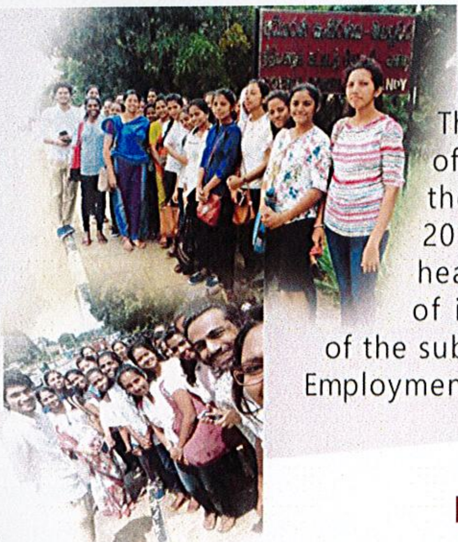


Three Days Workshop on Human Resource Information Systems (HRIS)

Three days workshop on Human Resource Information Systems (HRIS) was organized for third year HRM specialized undergraduates on 06, 07 and 08 December, 2018 at the Faculty IT lab. This workshop was carried out with the facilitation of hSenid Business Solutions which is a renowned HRIS Solutions provider in Sri Lanka. The aim of this workshop was to provide theoretical and practical exposure in the area of Human Resource Information Systems. Mr. Sampath Jayasundara, Chief Executive Officer, hSenid Business Solutions, Mr. Mahinda Pathirana, Manager, Professional Services and Global Support Team, and Mr. Pubudu Dissanayake, Manager, Delivery at hSenid are served as the resource personnel.



Department of Human Resource Management



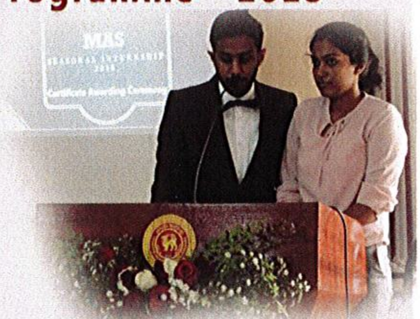
Visit to Labour Court

Third year undergraduates of the Department of Human Resource Management, visited the Labour Court, Kandy on 23 July, 2018to be aware on practical exposure by hearing of industrial cases and the nature of industrial courts as a partial fulfilment of the subject of Industrial Law and Employment Relations.

Guest Lecture on Career Development and Leadership

In order to make undergraduates of Faculty of Management aware about future career opportunities, a session on 'Career Development and Leadership' was conducted by Mr. Peter Wijayasekara on 03 December, 2018 at Faculty Auditorium with the generous sponsorship from the Chartered Institute of Personnel Management, Sri Lanka (CIPM). Mr. Peter Wijayasekara is the Managing Director of Zeosys (Pvt) Ltd and the session was specially aimed for second year undergraduates of the Faculty.

MAS Seasonal Internship Programme - 2018



MAS Seasonal Internship programme is an annual calendar event organized by the Department of Human Resource Management and MAS Linea Intimates as a collaborative effort. This Internship programme is a form of an on-site learning experience that integrates classroom learning, theories, and experiences in to professional setting. A group of 15 undergraduates from different departments were participated for this programme during their semeter-break and the certificate awarding ceremony was held on 5 November, 2018 for the second consecutive time.

Government Debt Securities Market in Sri Lanka: An Analytical Report

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Introduction

The Government has been borrowing from the public since time immemorial, but until the end of the seventeenth century, borrowings were infrequent and of negligible size relative to the economy. Over the last 60 or 70 years, there has been an unprecedented reliance by governments on debt finance for central government expenditures. Over the decades, both the amount and the nature of central government expenditures changed. Total government expenditure grew because of the major economic development programs, which themselves are in effect an implicit form of debt. Until recent years, there has been little obvious effect of government debt on countries' economies. However, the recent, unprecedented growth of debt and the future taxes may lead to a departure from the historical lack of association between debt and economic activities. This study has attempted to describe the main features of the Government Debt Securities Market in Sri Lanka and its recent trends. In addition to that this study attempted to investigate the controversial bond issue made in February 2015 and its impact. The secondary data were obtained from various sources such as Annual Reports of the Central Bank., Colombo Stock Exchange publications, relevant Articles, books, Magazines and extracts of the COPE report. The descriptive method was used to analyses the features and trends of the Government Debt Securities Market in Sri Lanka.

Government debt securities includes the outstanding stock of bonds, bills and notes issued by the central government. These instruments features a binding contracts between the government and its investors, committing the government to repay the loans at a specified time in the future with the specified condition for determining the amount of interest payment. These government debt securities are considered as risk free instruments or short of default. Government debts can be classified as domestic debt securities and foreign debt securities. Domestic government debt securities consist of Treasury Bonds, Treasury Bills, Central Bank of Sri Lanka (CBSL) advances and Rupee Loans. Foreign government debt securities include concessional and commercial instruments. Concessional instruments include bilateral and multilateral debt and commercial instruments include sovereign bonds, bilateral debts, multilateral debts, and foreign holdings in treasury bills & treasury bonds.

The government debt securities function or the public debt management function is entrusted to the CBSL. Accordingly, the Public Debt Department (PDD) of the CBSL acts as the agent of the Government to handle domestic debt, while several other government institutions deal with activities related to foreign debt securities. The main objectives of the public debt management function are to ensure that the government's financing needs are met at the lowest cost consistent with a prudent degree of risk, and to develop and to strength the government debt securities market, while enhancing efficiency and maintaining stability. Although the strategic objective to be perused in government debt management has not been made explicit by any law in Sri Lanka, it is implicitly understood that debt management should be carried out to fulfill the following aims.

- Minimize the direct and indirect cost of public debt on a long term perspective
- Avoid volatility in debt service cost and guarantee a balanced distribution
- Present an excessive concentration on redemptions
- Minimize any type of rollover risk/refinancing risk
- Promote an efficient functioning of the government securities market
- Service government debt on time with 100% accuracy

The Treasury Bills Market in Sri Lanka

The main purpose of treasury bills market is to provide funds for short term government expenditure and/or maintain monetary policy of the country. Treasury bills, which, by law, may not have maturities exceeding twelve months and existing maturities are 90-day and 180-day and 365 days. The primary market for treasury bills is the treasury bills auction held every Wednesday by the Central Bank of Sri Lanka through a competitive bidding system. Bidding at auctions are handled by primary dealers who are specialized intermediaries in the government securities market, such as the Bank of Ceylon, MB Financial Services Ltd., Bartleet Mallory Stockbrokers, Capital Alliance Holdings, National Wealth Corporation Ltd and Seylan Merchant Bank etc. appointed by the CBSL under the Local Treasury Bills Ordinance No: 8 of 1923 and the Securities Ordinance No: 7 of 1937. In addition to the primary dealers other institutions such as the Employee Trust Fund and the National Sayings Bank are allowed to participate in the auction. Currently there are 15 primary dealers and 25 commercial banks. Information on biding is normally published in the newspapers at least two days prior to the date of auction. Eligible investors such as Sri Lankan citizens, foreign country funds, mutual funds, regional funds, corporate bodies, citizens of foreign states who want to buy treasury bills from the primary auction have to submit their orders to a primary dealer who will in turn submit bids to the auction. A bid represents the price at which a particular dealer is willing to buy treasury bills in a given auction. The minimum amount of a bid at a Primary Auction is Rs. Five million and multiples of Rs. one million Bills are accepted through the fully automated electronic bidding system. The deadline for submission of bids for the auction by primary dealers is 11.00 a.m. on the auction date. The successful bidders are informed within two hours of the deadline for the submission of bids. The settlement of successful bids in the primary market takes place on two business days after the auction date (T + 2).

Treasury bills are issued on a discount basis with the payment of interest up-front and the face value of the bill will be paid at maturity. Therefore, the Treasury Bills Rate (TBR) is a very important benchmark interest rate. It represents the rate of return an investor could earn by investing in a security that is free of default risk. The default risk means the possibility of non-payment of promised obligations by the issuer of a security. Since the government is expected to honor its obligations for payment, the Treasury bills are considered risk-free, and the TBR is generally known as the risk-free rate of interest in the economy.

According to the Annual Report CBSL (2016) the following benefits can be reaped by investing funds in treasury bills.

- 100% risk free investment, since it is issued by sovereign government.
- Can get a higher return of interest since the yield rates are determined by the market.
- Since it's available in the secondary market instant liquidity can be on obtained by selling them.
- Can make joint investments making treasury bills the ideal way to share wealth with loved ones.
- Since withholding tax (10%) is paid at source there is no further taxation and no stamp duty.
- All transactions are done by means of a state of the art Scripless security settlement systems and the fully automated Central Depositary System (CDSs), so it is convenient to manage.

Table 01:
Government accepted treasury bills for last eight years for 91 days, 182 days and 364 days treasury bills.

Year	91 Days TB	182 Days TB	364 Days TB	Total
2008	117,734	80,092	54,770	252,596
2009	98,727	137,564	182,492	418,783
2010	97,466	231,169	188,885	517,520
2011	146,627	161,702	180,851	488,180
2012	201,386	326,411	199,437	729,234
2013	53,231	101,270	688,026	842,527
2014	49,952	176,341	527,232	753,525
2015	352,305	391,853	262,330	1,006,488

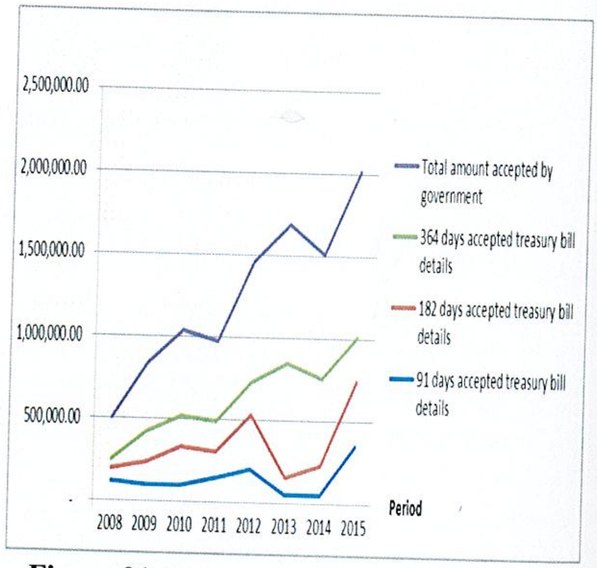

Figure 01:
Government accepted treasury bills for last eight years for 91 days, 182 days and 364 days treasury bills.

Source: Central Bank Annual Report (2015)

Treasury Bonds Market in Sri Lanka

In Sri Lanka, bonds issued in the domestic market could be broadly classified into three types in terms of the issuer's ownership. They are government bonds issued by the Central Government, Debentures issued by public enterprises and Debentures issued by the corporate sector. Treasury bonds are a medium and long term debt instrument issued by the Public Debt Department of the CBSL as an agent of the Government of Sri Lanka under the Securities Ordinance No: 7 of 1937 (Amended) when the requirement for domestic public debt for budgetary purposes arises. Somehow, the bond market in Sri Lanka is at its early stage of development. The Government of Sri Lanka commenced issuing bonds only in March 1997. In line with this process, necessary steps have been taken to improve the market infrastructure and streamline the regulatory framework to enhance the liquidity and efficiency in the bond market operations. The functioning of the Treasury bond market is quite similar to that of the Treasury Bills market. Treasury bonds are sold at an auction, and primary dealers who are authorized to participate in the Treasury bond market submit bids. Investors who bought bonds in the primary market trade their bonds in the secondary market.

T-Bonds are longer-term instruments with fixed coupon rates and their maturity period range from 2 to 20 years. They are issued at their face value. Interest payments are made every six months and the face value is repaid on the maturity date. T-Bills and T-Bonds are bought and sold in the secondary market at the face value, or at a discount or at a premium, depending on current interest rates. Further, the Central Bank has opened a "Repurchase Window" by which the repurchasing activities of the Central Bank are made quick and easy. After the recent launch of Central Bank's Scrip less Securities Settlement System (SSSS), T-Bills and T-Bonds are issued in scrip less form, without printed certificates. They are held electronically in the Depository of the Central bank. This scrip less system makes trading in T-Bills and T-Bonds, simple and fast, via the DEX system at the Colombo Stock Exchange. The total volume of government securities outstanding as at the end-May 2005 includes Rs.8345 million in T-Bills.

Since the first issue of bonds in March 1997, the government has continued to make two bond issues a month. In 2017 July, the Government issued a new circular to make bond issues once a month. However, the number of issues per month can change depending on the requirement for funds and the monetary policy of the CBSL. Interest on a Treasury bond is paid semi-annually and repays the principal on maturity. For example, an investor who bought bonds with a par value of Rs. 1000 receives Rs. 120 per year in two installments of Rs. 60 each every six months. The market rate of interest on a bond with a given maturity on a given date is represented by the yield on that bond in the secondary market.

The main features of Treasury Bonds in Sri Lanka are;

- Risk free gilt edged debt instrument
- Maturities are available with 2- 20 years

- ➢ It carries half yearly coupon payments and the principal amount is repaid on maturity
- ➢ Yield rate is determined by the market
- ➢ Tradable instrument in the secondary market
- ➢ Issued in script less form

An investor can purchases treasury bonds at any time through Primary Dealers (PDs) or licensed commercial banks (LCBs) registered with the CBSL. PDs are appointed by the CBSL for trading Government securities. Further, investors can buy treasury bonds from the secondary market or through the primary auctions. In order to make arrangements for fund transfers, investors can advise your own bank to open a rupee account named "Treasury Bond Investment External Rupee Account (TIERA)'in the LCBs in Sri Lanka. After completing the transaction, the agent (LCB/PD) will open a security account for you in the CDS maintained by the CBSL. This account is debited/credited simultaneously based on your trading in the market. Interest and maturity proceeds related to treasury bonds are credited on the due date directly to the investor's account through your agent.

Lot of advantageous or benefits are available for investors from investing in treasury bonds.

- ➢ It is an absolutely risk free investment, since it is issued by a sovereign government. Hence, they are called gilt-edged securities meaning that they are covered by gold.
- ➢ Investors can get the highest rate of interest since the yield rates are determined in the market.
- ➢ Since these bonds are tradable in the secondary market, an investor can obtain instant liquidity by selling them in the market
- ➢ All the receipts of interest and maturity proceeds are fully repartriable
- ➢ An investor could also have a joint investment with some other person or persons. Hence, it is a very good way to share your investments with loved ones
- ➢ Investor is not subject to further taxation, since a withholding tax of 10% is charged at source
- ➢ No stamp duty is payable on these bonds
- ➢ Investor can get the best service from the CBSL, which maintains your investment in its state of the art, Scripless Security Settlement System (SSSS) and the fully automated system

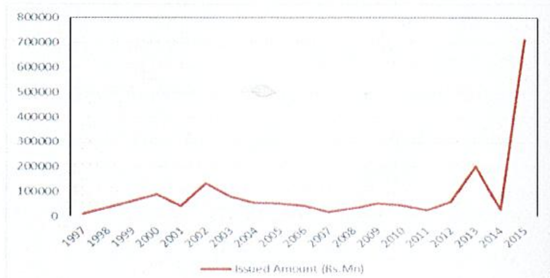

Figure 02:

Trends in the Amount of Bonds Issued in Sri Lanka

Source: Central Bank Annual Report (2015)

Table 02:

Highlights of Bond Market in Sri Lanka for last eighteen years

Year	Amount	Average	Average
1997	10,000	2.44	12.64
1998	38,665	2.61	11.31
1999	61,952	3.34	11.34
2000	89,822	3.17	11.04
2001	43,504	2.48	12.86
2002	134,262	4.06	11.98
2003	79,100	6.56	9.18
2004	54,336	2.38	8.85
2005	52,200	3.20	10.48
2006	42,848	3.72	7.73
2007	18,513	3.50	7.68
2008	32,808	2.70	13.86
2009	52,231	4.19	12.45
2010	46,098	4.77	8.04
2011	26,107	6.92	6.68
2012	59,326	5.54	7.40
2013	201,199	12.03	8.45
2014	27,750	14.00	12.11
2015	712,332	8.28	10.24

Source: Central Bank Annual Report (2015)

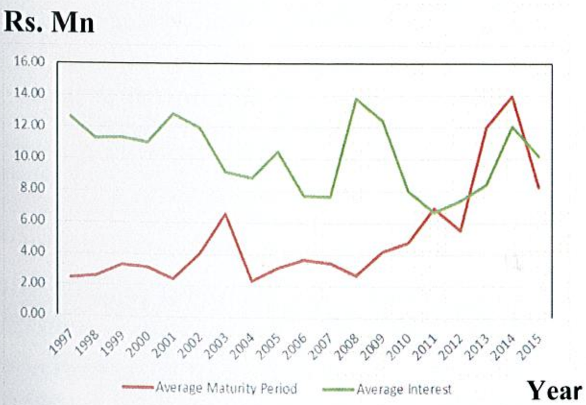

Figure 03:

The Average Maturity Period and Average Interest Rate offered for Government Bond in Sri Lanka

Source: Central Bank Annual Report (2015)

Now treasury bills and treasury bonds are held in script less form and the security transfer is done on an electronic basis. The automated Debt Securities Trading System (DEX) at the Colombo Stock Exchange now brings all these benefits of investing in government securities within easy reach of everyone. In the SSSS and the Real Time Gross Settlement System (RTGSS), transfer transactions are carried out on a trade-by-trade basis, with the transfer of securities and the transfer of funds for payments taking place simultaneously in an electronic system. During the last few years, government facilitates Sri Lankan and foreign investors to invest in government securities to help expand the government security market. Development of dealers and authorized commercial banks also helped to shape up the market and enhance DEX in secondary market.

Majority of the government debt consists of domestic borrowings of which treasury bonds hold the major part. Each year government faces a huge pressure due to the continuous incensement of government debts whilst the Gross Domestic Product (GDP) does not increase at that rate. Therefore, the repayment of the same is the most threatening scenario of the country to which the government should take measures sooner rather than later before this becomes a huge economic crisis. The table No: 03 and the figure No: 04 prove this crisis clearly.

Table 03:

Total outstanding government debts

Rs.Billion

Item	Amount at the end of year 2015	Amount at the end of 2^{nd} quarter of year 2016
Domestic Debts		
Treasury Bills	658.20	729.40
Treasury Bonds	3305.20	3610.50
Rupee Loans	24.10	24.10
Total Domestic Debts	**4959.20**	**5391.10**
Total Foreign Debts	**3544.00**	**3671.10**
Total Outstanding Government Debts	**8503.20**	**9062.20**

Source: Central Bank Annual Report, (2015 & 2016)

According to the above table, the total government debt at the end of 2^{nd} quarter of year 2016 was Rs. 9062.20 billion. This amount comprises of total domestic debt of Rs. 5391.10 billion. This amount is nearly 60% of the total outstanding government debt. Further, 67% of the total domestic debt is represented by treasury bonds.

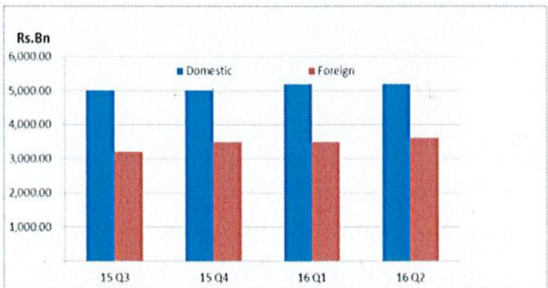

Figure 04:

Total Outstanding Government Debts: Quarterly distribution in year 2015 and 2016

Source: Central Bank Annual Report, (2015 & 2016)

In addition to above features, the debt to GDP ratio can be analyzed to have an idea about the government debt securities market in Sri Lanka. The debt to GDP ratio is the ratio of a country's public debt to its GDP often expressed as a percentage. By comparing what a country owes to what it produces, the debt to GDP ratio indicates the country's ability to payback its debt. Therefore, this ratio can be interpreted as the number of years needed to payback their debts if GDP is dedicated entirely to debt repayment. Following graphical presentation shows the Sri Lankan government debt to GDP ratio for the past decade.

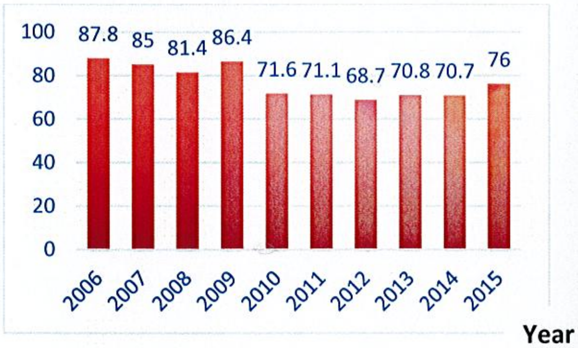

Figure 05:

Government Debt to GDP

Source: Central Bank Annual Report (2015)

Controversy Treasury Bond Issue made in February 2015

In February 2105, a 30 year bond carrying a fixed interest rate of 12.5% was advertised by the Public Debt Department (PDD) of CBSL for a value of Rs. 1 billion for the auction. As a practice, with every such advertisement, the PDD of CBSL used to indicate a rate to the Prim Dealers to submit their bids. This rate is based on the prevailing market rates for similar bonds and this is intended to disgrace primary dealers from bidding at rates pretty much above or far below the prevailing rates. In this manner the PDD attempts to keep the auction rates as close as possible to the going market rates or, in other words, the prevailing yield curve.

The indicative rate communicated to the primary dealers by CBSL on this impugned bond deal was 9.5% which in effect means that the primary dealers have to submit their bids at a price of around Rs. 131 per Rs. 100 bond. At this price, the Ministry of Finance would have got a premium income of Rs. 31 for every Rs. 100 bond under this bond issue. In this instance, the indicative rate given by the PDD has been on the high side since it was based on a 30 year bond carrying an interest rate of 13.5%. The price was adjusted for 12.5% by way of adjustment to the new lower market rate. The interest rate resulting from the auction was much higher than the rate indicated by the CBSL to the primary dealers before the auction and the country has quite arbitrarily been landed with sustaining a very large debt amount at an unnecessarily high rate of interest.

The amount of debt accepted by CBSL at the auction was vastly in excess of the amount that had earlier been communicated to the primary dealers who would bid at the auction. Whereas the original announcement was for Rs. 1 billion, the amount accepted at the auction was Rs. 10 billion. The main problem of this process is whether there was any need to issue 30 year bonds as opposed to those of a shorter tenor. For the bond auction on February 27, 2015 most dealers had made preparations to provide bids for the amount already announced which was Rs. 1 billion. But at the auction, bids were accepted for amount up to Rs. 10 billion. Table 04 shows the 30-year bonds that have been issued in between May 30, 2013 and February 27, 2015.

While accepting amounts greater than the bid has happened before the February 27, the 2015 issue was of a scale that was totally unprecedented. In the earlier five sets of bond issues, the bids were around two to four times higher the offer. But the bids on February 27, 2017 were ten times the original offer.

It is apparent that accepting higher amounts than what was earlier notified breaches the understanding on which dealers work on. It also enables those who may have had inside information of the increased amount to be offered, to gain a massive profit at the cost of those who lack such information. Specifically, the pattern of activities of Perpetual Treasuries before, at and after the auction gives rise to reasonable suspicion as to whether that company had acquired some inside, privileged knowledge.

Table 04:

30-year Treasury Bonds Issued in Sri Lanka from May 2013 to February 2015. Rs. Billion

Issued Date	Amount Offered Rs.Billion	Total value of Bids Rs. Billion	Bids to offer Ratio	Total Accepted Rs.Billion	Accepted to Offer Ratio	Yield net of Tax (%)
May 30, 2013	2.0	6.0	3.0	3.0	1.5	12.50
June 13, 2013	5.0	11.1	2.2	5.5	1.1	12.50
July 30, 2013	10.0	22.06	2.2	10.0	1.0	12.50
March 27,2014	2.0	7.9	4.0	2.0	1.0	11.75
May 27, 2014	2.0	5.5	2.75	2.0	1.0	11.75
Feb 27, 2015	1.0	20.7	20.7	10.0	10.0	9.50

Source: Central Bank Annual Report, (2.013, 2.014, 2015 & 2016)

The issues arising from the controversy or criticisms that can and are being made of the auction of February 27, 2015 and its outcomes are based on three major errors namely a computational error on the time value of money, an inaccurate stipulation of the base rate and a weak assumption with regard to market impact and loss. According to Verites Estimates, the only impact the decision to increase the amount from Rs. 1 billion to Rs. 10 billion was an increased interest burden of Rs. 896 million over a 30 years period, or an interest burden of nearly Rs. 29 million per annum. This increased interest burden actually gets paid back to captive CBSL controlled state institutions such as the Employee Provident Fund, Employee Trust Fund, Bank of Ceylon and National Savings Bank etc., who were the end clients of the primary dealers, ensuring that money is captured in a loop between CBSL and state institutions. As per available information the biggest loser was the National Savings Bank, a state owned institution.

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Failure of Planned Mergers: A Case Study from Sri Lanka

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Financial services sector has a myth that its strength is based on its size. Because there is a belief that Mergers & Acquisition (M&A) gains can be achieved through reducing expenses, increasing the market power and gaining economies of scale. The main drivers generally behind M&A activity are the competition, which is generally driven by market forces, deregulation and technology, but the recent interest has been driven mainly by Government policy and less by the industry in the Sri Lankan context. The sectors mostly affected by M&A activity have been service and knowledge-based industries such as banking, insurance, pharmaceuticals, and leisure (Cartwright, 1996).

One way that firms can grow and have larger operations and better cost-to-income ratios is through M&As, that is to merge or buy, or be bought by, other firms in Sri Lanka or outside the country. Consolidation therefore around fewer, stronger players, will ultimately play for their competitive advantage. When the consolidation process is managed well, the potential opportunity to increase the flexibility of the system, create a cost-efficient banking system and better oversight by the Central Bank is an advantage for the banking sector (Central Bank, 2014).

Historically mergers have occurred between firms that are similar in size and also have similar interests; however acquisitions tend to enable larger organizations and firms acquiring smaller firms. It is common for mergers and acquisitions to go beyond borders, often providing solutions for corporates to extend their impact from national into international markets. However, despite the financial expertise available to determine the feasibility of such business transactions, many of these businesses fail or will not meet the expectations.

In Sri Lanka after many years, the banking sector was set to consolidate in 2014. The Central Bank of Sri Lanka published a master plan on consolidation in 2014. The vision of the plan was to reduce the number of banks and to form major development banks. Some stakeholders of these banks were optimistic because the merged entity would effectively create a bank the size of systematically important bank in the country.

However, many stakeholders of these proposed merging banks were not too sure as to the purpose of these mergers. Was it to have a bigger development bank or to create a bigger commercial bank eliminating the only development bank in the country? Or was it to make borrowing from overseas markets easier and cheaper? These were the general concerns on the proposed mergers. These mergers were proposed by former President Mahinda Rajapaksa in the budget speech in 2013, as a precursor to the Central Bank's ambitious financial sector consolidation plan. However, the new regime under the President Maithripala Sirisena opposed the move, stating that mergers must be a natural decision made by shareholders instead of being forced upon by the government.

Why the meager has failed, is the general concern. After the change in government in year 2015 and consequently change in the management of Central Bank, the committee was appointed to revisit the financial consolidation plan and the committee said that creating an enabling environment for voluntary consolidation of banks was a normal business activity and this should be actively encouraged by the new government by providing the required legal framework and removing impediments and disincentives. Therefore, the decision to consolidate should be driven by the entities themselves. However, even in a voluntary consolidation the successes of mergers are limited (Mirror Business, 2017).

Therefore, new government opposed the move due to following reasons. New Government is in the view that mergers must be a natural decision made by shareholders instead of being forced upon by the regulator or the Government. Further proposed consolidation of the development finance institutions would hinder competition by creating a monopoly in development finance and the inevitable concentration of market power in one mega institution (Oxford Group, 2016).

Therefore, mergers to be carried out within a specified timeframe as required in the Central Bank master plan will have an even smaller chance of succeeding and therefore should be avoided in the future. When banks consolidate voluntarily, they take the needed measures to protect their own interests and would not participate in any Merger or Acquisition unless it is driven to benefit all stakeholders.

Since experience suggested that some stakeholder groups may oppose consolidation to safeguard their own vested interests, the Central Bank has to encourage consolidation by implementing a differentiated regulatory regime depending on the size and strength of banks as measured by key prudential factors.

Further, the government should create an environment for voluntary consolidation of banks by providing the required legal framework and removing impediments and disincentives. Beginning with reform policies introduced in early 1980s Sri Lankan banks have evolved to a more efficient and competitive market. However, financial market in Sri Lanka needs to go further to improve their efficiencies to bring them up to the standard of international financial markets. One major issue is the dominating role played by the two state banks within the financial system of the country. Lack of financial literacy among the people of Sri Lanka and lack of clear directions from the government to the financial market has hindered improving efficiencies further. (Mirror Business, 2017; Oxford Group, 2016). If priority is given to the new entity like foreign currency borrowings and access to credit lines, the new entity could bring down their cost of funds and help them to compete with the bigger banks in Sri Lanka.

The success of the merged entity will depend largely on how they differentiate themselves from competitors and on the integration and consolidation of human capital from other banks in the sector.

However, history has shown that without a productive integration of the merging entities, the benefits imagined can never be realized. On the other hand, less regulatory interference and greater market freedom to complete the transaction would help the consolidation process to realize the full potential outcome for the stakeholders and for the Lankan economy.

It is obvious that changes are progressing but slowly towards a more competitive financial services industry in the country. Furthermore, substantial empirical studies are needed to examine the impact in a stronger way however, lack of necessary micro as well as macro level data has been a major obstacle. For instance, more analysis on debt and equity markets, electronic services markets and micro finance markets in Sri Lanka would have been more useful to identify competitive improvements within the financial markets. This would have resulted in identifying areas where further reforms are needed to ensure the operation of an efficient financial market.

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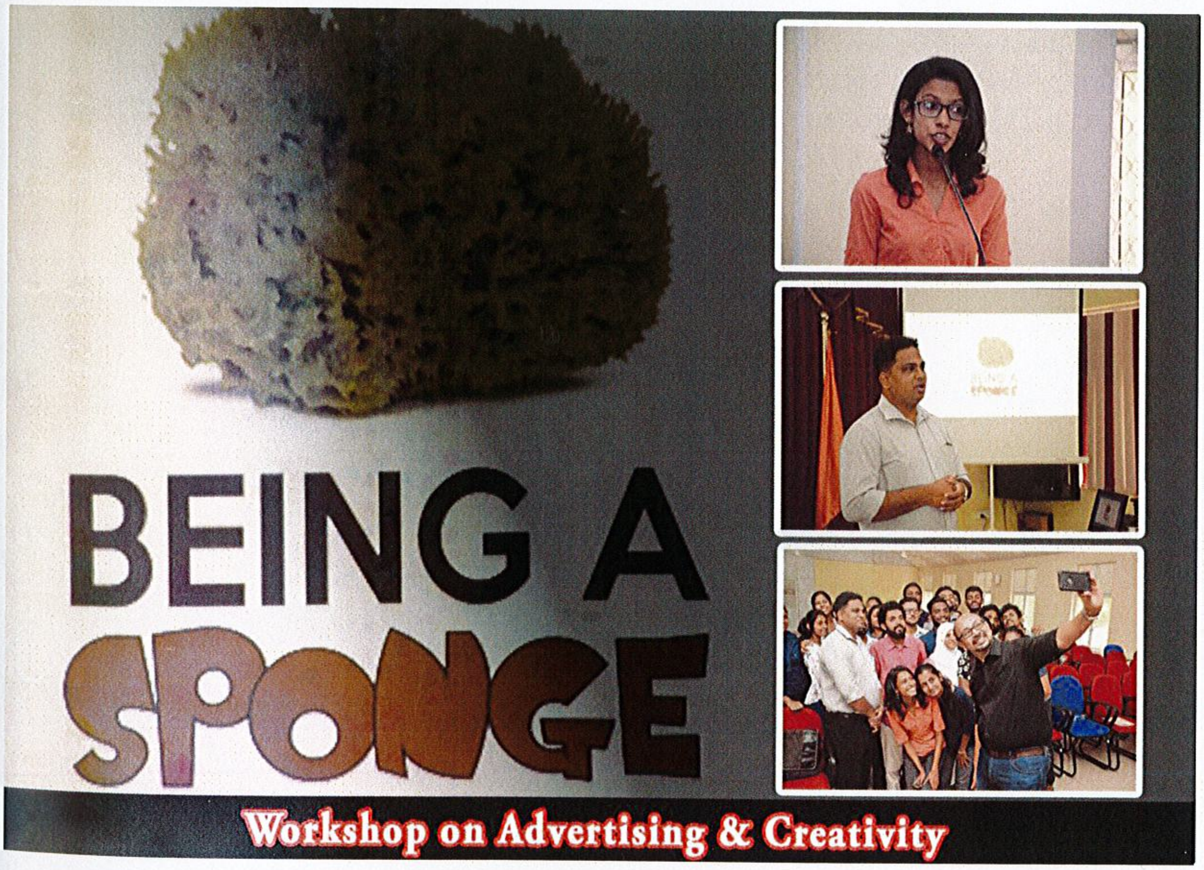

Department of Management Studies

Field Visit to Singer Sri Lanka

The Department of Management Studies, Faculty of Managment organized a field visit to Singer Sri Lanka factory complex on 13 September, 2018 for the final year students of the B.Com Degree Programme with the aim of giving practical exposure. Two factories of Singer Sri Lanka PLC were visited and Management of the Company conducted one hour presentation regarding the overall organization and its operations. Then they provided the opportunity to visit the factory and gave an understanding of the steps of manufacturing processes. Thus, the field visit was an invaluable opportunity for the students to gain the practical knowledge regarding the theories that they have learnt in the classroom.

Business Practices Beyond Numbers

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Introduction

Global business environment has led business practices to impose a substantial impact on the earth which in turn, has potential effects on environment and society such as, global warming a climate change, soil biological degradation, contamination of natural and biological resources, human rights, corruption, poverty and income inequality etc. In early days, organizations often considered purely economic performance indicators in terms of numbers in business strategy development and performance evaluation.

Nevertheless, companies' functions in the modern business environment overtook the responsibilities of such issues and they have extended their business practices to create a sustainable world. Further, companies have diverted the adverse business practices towards society and environment through sustainable business practices. Hence, the companies identified key social, environmental risks and opportunities which yield financial and non-financial advantages to an entity.

According to the World Commission on Environment and Development (WCED) 'Sustainability' means meeting the needs of the present without compromising the ability of future generations to meet their own needs (1987). Thus, economic based business practices have transformed to their business functions sustainable business practices beyond numbers in terms of financial performance i.e. profit, financial position and liquidity with the integration of ecological, social and economic objectives. It accomplishes a sustainable development of the business itself and its surroundings. The ultimate destination of the journey of sustainable business practice is to establish 'a sustainable business'. Sustainable business is a business firm which operates to satisfy present and future stakeholders to ensure both long term health and existence of the business along with its associated economic, social and environmental systems.

Challenges of sustainable business practices

According to Schaltegger et al. (2002) there are four challenges in achieving sustainability they are the ecological challenge, social challenge, economic challenge and integration challenge. These challenges focus on business practices beyond numbers except economic challenge. *Ecological challenge* refers to improving the ecological effectiveness of business performance. In this regard an organization ensures the long term prevention of natural environment, protect its absorption capacity and safeguard the ability of regeneration and to conserve bio diversity. It mainly focuses reducing adverse direct and adverse indirect performance towards environment by an entity.

The other concern is to improve social effectiveness which is known as '*Social Challenge'*. It attempts to improve the organizational performance towards individuals, interested groups and its society as a whole. In this case society is considered as a broad term and it addresses both community and employees. Social interaction, relations, behavioral patterns and value among people considered as important factors. Organizations minimize undesirable effects on employees and community and promote favorable performance towards them. Thus, social effectiveness ensures the license for existence to establish legitimacy. An organization has a social contract with its society to meet unstated expectations of stakeholders. Long term survival of an entity depends on this social contract. If an organization breaches the social contract, a legitimate gap may occur.

Economic challenge discusses on numbers such as profit maximization and cost minimization to enhance the value of the business. In addition it focuses on improving economic figures through environmental effectiveness and social effectiveness which are known as eco efficiency and social efficiency respectively. Thus, it links environmental and social dimensions to economic dimension. It's significant contribution is to reduce the value added to ecological damage and value added to social damage for instance carbon emission, solid waste, lack of social equity and etc.

Integration challenge assists to achieve above mentioned three challenges simultaneously and facilitate methodological concepts and instruments to integrate sustainable business practices within the business. According to Petriny and Pozzebon (2010), there are some factors which facilitate an effective integration of sustainability practices to organizational practices.

Integrate sustainability into business practices

Leadership plays a significant role in organizational changes by stimulating employees to maximize their commitment towards the entity. Thus, it facilitates to cultivate employee commitment to establish a sustainable business. Moreover communication and training are also considered as an institutional mechanism to promote the importance of sustainable business practices in developing the business strategies. In the meantime, it enhances social awareness on sustainable business practices of a particular business.

Organizational commitment facilitates sustainable business practices by reducing the congruence between employee interest and organizational values. Generally business practices determined by the top management to enhance the organizational value and it are implemented by lower employees. Thus, the gap between employee interest and organizational value is bridged by organizational commitment. Furthermore, business practices that focused only on economic indicators may distract the social contract. Hence, stakeholder pressure is a stimulating factor to create a sustainable development of an entity.

Corporate reporting is another powerful instrument to communicate business performance to its stakeholders to view the snapshot of the entity. Trend in environmental awareness led to a growing demand for environmental and social accountability by companies. Besides, socially responsible investors not only focus on maximizing wealth, but also consider about environment, social and governance (ESG) when deciding their investment portfolio. Thus, companies report on sustainability which includes financial and non-financial disclosures on a voluntary basis. A survey conducted by KPMG in 2015 concluded that 92 percent of the world's largest 250 companies use their reports to reveal the impact of their businesses on environment and society. Further, the findings suggest that there is an exceptional growth in the recent time about the environmental disclosures in emerging economies (KPMG, 2015). Tregidga et al. (2009) argued that social and environmental disclosures may ensure a sustainable development of an entity.

Therefore, corporate reporting also became an influential factor to integrate sustainability in to business practice.

Pros of Sustainable Business Practices

Organizational commitment towards sustainable business practices may establish a long term legacy of the entity and to increase product differentiation and operational efficiency which may assist a company to enhance its brand image. Hence, it increases financial performance through competitive advantages. In addition it assists to build collaborative networks with its stakeholders such as customers, competitors and suppliers.

Today most talented and upcoming leaders' desire socially conscious career and a workplace culture that values Corporate Social Responsibilities. Therefore, sustainable business practices supports to attract and to retain such human capital that provide a platform to establish a sustainable business. Moreover it enables to reduce the cost i.e. waste disposals, litigation cost through efficient utilization of resources. For instance, product innovations may become as a consequent of waste management practices. Manage relevant risks associated with environment and society.

Conclusion

A rapid growth became questionable since business activities impose a heavy burden on its environment and the society. Thus, modern business practices focus on sustainability rather than focus merely on numbers. It establishes a business which ensures a long term vigorous existence of the company along with economic, social and environmental systems.

Companies which follow in a sustainable path confront four challenges as to improve ecological effectiveness, social effectiveness and economic figures and to facilitate methodological concepts and instruments to integrate social ecological and economical practices into business practices. Leadership, communication and training, organizational commitment, stakeholder pressure and corporate reporting facilitate a firm to integrate sustainable dimensions to their business practices.

Based on the above backdrop a firm may establish sustainability policies and strategies in line with company strategies. These strategies may integrate primary functions within the organization and to implement them across value chain activities. Further, in addition to financial audit firms may undertake eco audit, environmental audit, sustainability audit and etc.

Ultimately Sustainable business practices enhance the overall value of the stakeholders in the organizational society and environment in order to establish a sustainable business in terms of competitive advantages, innovations, brand image and cost savings. Modern organizations have become the agents of change that emphasize a responsible growth in a more complex and unpredictable world.

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Agile Manufacturing: The Way of Addressing Unpredictable Customer Requirements

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Introduction

The industrial environment has been changed radically over the last two decades, with technology, market conditions and customer requirements are changing at an exceptional speed and in directions that have been difficult to foresee. Accordingly, managers face with the challenge of an ever changing environment, ranging from increasing globalization, technological advancements, fast growing customer requirements, maximum utilization of scare resources and sustained economic growth.

Against this new competitive background, many firms have started re-orienting their distinctive competencies, adopting different practices and tools to improve their competitiveness such as automation, lean manufacturing, concurrent engineering, total quality management, strategic and cooperative outsourcing, time-based competition, business process re-engineering, benchmarking and mass customization.

Agility

Concepts, practices and methodologies derived focusing on 'Agility' are the latest trend to face the contemporary management challenge of instant gratification of consumers' needs and wants without compromise. With reference to the definitions about agility we can identify it as the ability to change quickly. According to Vernadat (1990) agility can be defined as the ability to closely align enterprise systems to changing business needs in order to achieve competitive performance. With regard to the concepts relates with agility, agile manufacturing is the latest manufacturing method in the modern world.

At the beginning of the 21st century, the world is facing dramatic changes at a faster rate in almost all aspects, specially manufacturing. The manufacturing world is facing major pressures due to globalization of markets. Due to that, customer requirements are changing rapidly. Their interests shift and move in unpredictable ways. They love instant satisfaction of their needs and wants. They are increasingly getting used to it and they are often willing to pay for it. They prefer to get a product exactly as they want it without compromise. Therefore, enterprises must be more flexible, responsive and efficient to continuously evolve and adapt to their consumer preferences, be innovative and capture new markets. Accordingly, agile places an extremely strong focus on rapid response to the customer changing speed and in order to develop a competitive advantage in today's fast moving market place.

Agile Manufacturing

In recent years, much attention has been placed on lean manufacturing which is an active elimination of waste from manufacturing processes such as waste of unnecessary inventory, unnecessary transportation, waiting or delays in production or manufacturing systems, unnecessary motion, over processing, excess production and also the defects. The fundamental aim of this improving productivity and profitability by persistently eliminating waste is to maximize value to the customer.

Agile manufacturing is the emerging concept in manufacturing industry and also the succeeding step of lean manufacturing or else lean manufacturing is the pioneer to agile manufacturing. New paradigm known as 'agility' is being promoted as the solution for maintaining competitive advantage. Agile manufacturing is perceived as a vital characteristic that manufacturing companies need in order to maintain their competitive advantage in the business market and to attract customers towards them.

Agile manufacturing is defined as the capability of surviving and prospering in a competitive environment of continuous and unpredictable change by reacting quickly and effectively to changing markets, driven by customer-designed products and services (Gunasekaran, 2001).

As the next step in bringing a competitive advantage to the company, agile manufacturing emphasize on providing rapid response to changing customer demand by satisfying customer requirements quickly with personalized products and services. Many lean practices are also enablers for agile manufacturing. For example, manufacturing in small batches, manufacturing with one-piece flow, fast changeovers, just in time manufacturing, autonomous maintenance, kaizen and a culture of continuous improvement are all foundations that cover the road to agile manufacturing.

As agile manufacturing is all about the ability to respond to shifting customer demands quickly, agile manufacturers design their production processes in ways that can be changed rapidly and quickly, using existing equipment, tools, labor and raw materials to create new or custom products which will ultimately satisfy the customer preference.

The most important aspects of agile manufacturing include customer prosperity, people and information, co-operation within and between firms, and fitting a company for change. When discussing customer propensity or tendency, it means the way we look at products and services that company provides in terms of how much value they add to the customers. This requires close understanding of the customer's needs. It requires managers to understand customers' use of products more thoroughly than what they know and think about the product. The product should be designed in such a way that it serves long term needs of the customers not only the present requirement.

To address the customers' real needs mangers must come up with innovative solutions and not products. Innovating solutions require a detailed and thorough understanding of the customers' needs, and requires bringing together a package of products and services to fulfill those needs and wants. The product alone many not be enough. Managers may need to add extra services or technical support or special terms or else they may need to add complementary products supplied by other companies, may be which will be produced by the competitors to satisfy the customer requirements.

Agile manufacturing process can be followed up by the manufacturers who have the potential market for a personalized fast delivery form of their current products and if they can develop their new product that is within their company's scope of competence that would strongly benefit from personalization and fast delivery. Through that agile manufacturing will increases revenue by being ready to serve a range of unexpected demands while maximizing the number of sales opportunities.

Conclusion

At last, agile manufacturing is a method of manufacturing which combines organizations, people and technology into an integrated and coordinated whole. It is a term applied to manufacturing organizations that have created the processes, tools, and training which enable it to respond quickly to customer needs and market changes while still controlling costs and quality. It acknowledges the realities of the modern marketplace and transforms them into a competitive advantage. It answers to challenges faced by traditional manufacturers, and provides opportunities for small manufacturers to compete with larger and entrenched competitors and ultimately focused on increasing business sustainability in the high cost manufacturing sector.

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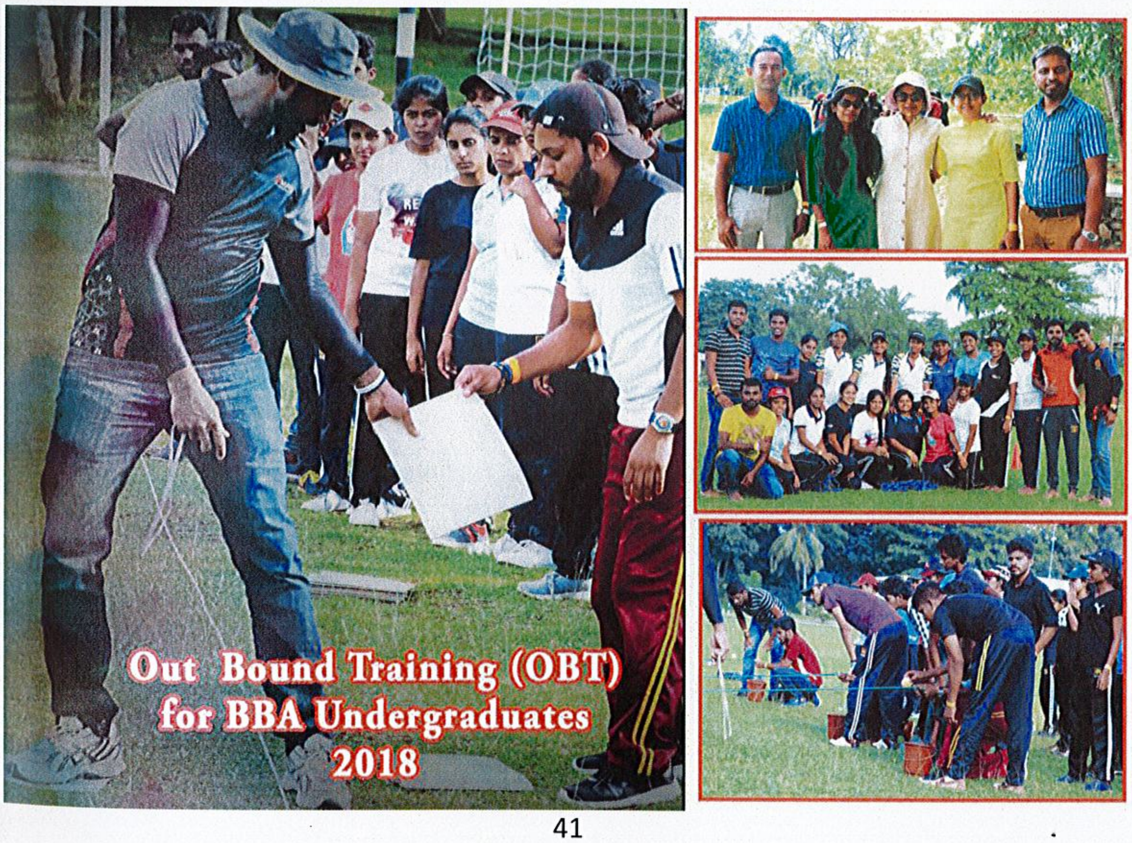
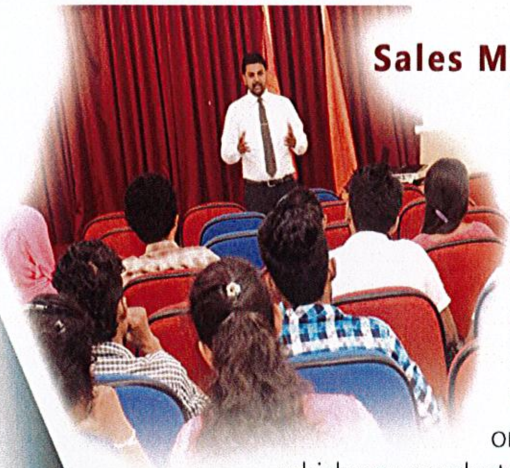
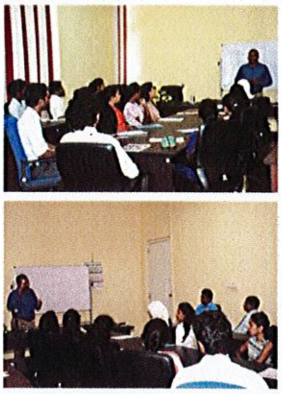


Department of Marketing Management



Sales Management Seminar Series 2018

The Department of Marketing Management has organized a seminar series with regard to the Sales Management course with the intention of creating a link between the corporate sectors to blend the theories learnt in the class room with the practical approach to have a holistic view. Dr. B.A.N. Eranda the Lecturer-In-Charge for the respective course took the initiative in organizing the seminar series where, the first seminar was on the theme of 'How to be successful in selling?' which was conducted by Mr. D.S. Samararathne, Senior Channel Manager - SMMT, Hemas Manufacturing (Pvt.) Ltd. The second seminar was on the topic of 'Hard and soft skills in sales management' the resource person for this session was Mr. B.I. Herath, Senior Lecturer, Head of Department, Tourism and Hospitality Management Unit, Sri Lanka Foundation. The third session of the Sales Management seminar series was successfully conducted by Mr. D.H.N. Wijerathna, Junior Executive, Lube sales, Lanka IOC PLC, who is a proud graduate of the Department of Marketing Management, Faculty of Management, University of Peradeniya, on 'How to Begin a Successful Sales Career?'



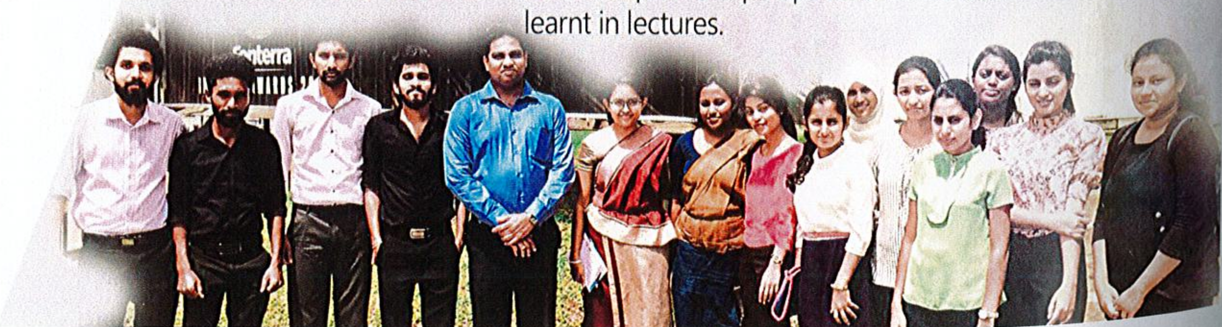
Seminar I

Seminar II

Seminar III

Field Visit to Fonterra Brands Lanka (PVT) Ltd.

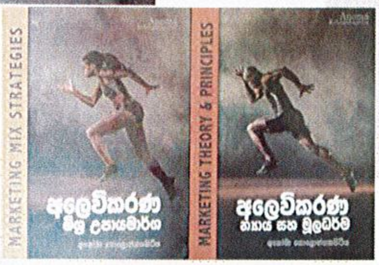
Third year undergraduates and the staff of Department of Marketing Management, University of Peradeniya went on a field visit to "Fonterra Brands Lanka (Pvt) Ltd" on 02 November, 2018. The purpose of this industrial visit was to provide students the opportunity to learn the practical perspective of theories learnt in lectures.



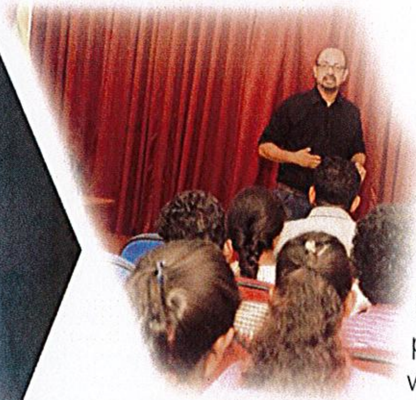
Department of Marketing Management

Publications

Ms. K.H.M.A.R. Kolongahapitiya, a Senior Lecturer attached to the Department of Marketing Management, published two books related to Marketing Management. The tile of the first book is 'Marketing Theory & Principles' and the second book is in the title of 'Marketing Mix Strategies' targeting the undergraduate and postgraduate level students and also others who are interested in learning Marketing for their higher studies. The books were published by M. D. Gunasena & Company Printers (Pvt) Ltd.



Workshop on Advertising



Department of Marketing Management has organized a workshop on 'Creativity and Relevance in Advertising' on 5 December, 2018. The resource personnel for this workshop were a team of two members headed by Mr. Aman Ashraff, Executive Creative Director of Ashraff Associates. The purpose of organizing this workshop was to inculcate and enhance the creativity and entertainment skills of the students to think out of the box in the dynamic world of work.

Research Presentations

Ms. R.M.U.R.K. Rathnayaka, one of the lecturers in the Department of Marketing Management, has presented her research on "The Impact of Visual Merchandising on Customer Buying Decision with Special Reference to Fashion Retailing Stores in Sri Lanka" at the Department research presentation session – 'Research Circle', on 28 September, 2018. Further, Ms. K.D.M.K. Weeratunge, Lecturer in the same Department, has also presented a working paper titled "How E-Service Quality Impact on Customer Loyalty among Online Customers in Retail Industry" at the Faculty Working Paper Series on 15 November, 2018. Most of the Academic Staff members of the Faculty were presented for both the sessions and, they appriciated an encoraged the presenters to continue their research work in the future.

Venture Growth: The SHARP Way

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Introduction

Venture growth is attuned to the degree of opportunity exploitation (Drucker, P.F.; 1985). However, opportunities are identified as 'windows' (Holt, D. H.; 2011) and entrepreneurs must always be prepared to exploit them while they are open. On the contrary, the founder of the SHARP Corporation of Japan, Tokuji Hayakawa pointed out that opportunities are open always for any entrepreneur but only a few manage to capitalize on them and achieve venture growth. He emphasized that opportunities escape while entrepreneurs remain unprepared. Thus he recognized the need for a set of specific competencies that augment internal strength which must be gradually accumulated in the venture as a preparation to exploit opportunities. According to Hayakawa, accumulation of competencies was explained as an essential task of entrepreneurs as the ability to further innovate entirely depends on such accumulations. In line with this argument, Hayakawa (1970) pointed out five different competencies that should be accumulated by a venture in his book titled *Watashino Kangaekata (My Way of Thinking).*

The Hayakawa Principles

Table 1: **Venture Competencies**

1	***Shinyo no chikuseki***	***Competency in Credibility***
2	***Shihon no chikuseki***	***Competency in Capital***
3	***Hoshi no chikuseki***	***Competency in Consideration***
4	***Jinzai no chikuseki***	***Competency in Capacity of Human Resource***
5	***Torihikisaki no chikuseki***	***Competency in Connections***

These competencies may effortlessly accumulate to a certain extent. Yet cleverly formulated efforts are essential to systematically accumulate them from the initial stages of a venture. Gradual accumulation of these competencies will later build into an enormous power which is essential to capitalize on the entrepreneurial opportunities that will avail. This is known as 'corridor opportunities'. As Philip A. Wickham (1998) pointed out, an entrepreneur who is already in manufacturing, for instance, may foresee opportunities to innovate in many new and unrelated areas such as services, production processes, technologies, delivery systems, organization structures, and corporate relations etc. When a venture is equipped with these competencies it can engage in both vertical and horizontal innovations.

Credibility

Credibility is the reliance between venture and internal and external stakeholders. This is augmented on sincerity and trust and is accumulated gradually throughout the lifetime of the venture as a consequence of sincere behavior in the past. Credibility can neither be purchased nor imposed over others. There are five types of credibility: employee credibility, customer credibility, dealer credibility, supplier credibility, institutional credibility, and social credibility. Employee credibility guarantees improved labor pooling, labor productivity and industrial peace within the organization. Customer credibility guarantees sales of goods/services, market share and sales cash flows which are essential for commercial operations of the venture. Credibility of the business network, i.e. suppliers, dealers, service providers etc., is crucial for smooth management of business functions. Social credibility determines the existence and size of a venture which has direct reference to venture growth.

Capital

Venture opportunities go without being harnessed when the ventures do not have adequate amount of capital to exploit them. Capital accumulates through savings, retained earnings, stock offering, and borrowings etc. Hayakawa recommends that it is always better to save money in reputed banks than choosing other portfolio options at the early stages of a venture. Continuous savings build trust between the entrepreneur and the bank, which then ensures borrowing in excess of outstanding savings. Capital comprises money and other physical assets. Cash deposit is a primary form of capital while investments in stocks, machineries, premises, patents, and research are secondary forms. Ventures need the primary form of capital for quick purchases and acquisitions. Failure to engage in quick acquisitions disturbs smooth functioning of the venture. Systematic accumulation of secondary forms of capital is essential for both the smooth functioning and developing a corporate social image of the organization.

Consideration

The concept of consideration is derived from the nature of 'lifelong borrowings and responsibility to payback.' Literally, every venture obtains resources from the society and environment, and thus it is an obligation to 'payback' for the same to the society and the environment. For the so called 'borrowings' the venture must be considerate of the needs of the 'lending' parties. Hayakawa specifies the principle of consideration as 'service to others' in compensation of their sacrifice. The service should not expect anything in return. The beneficiaries of the consideration include customers, employees, shareholders, suppliers, dealers, pressure groups, society and the natural environment in general. Consideration can be pursued through producing quality products, making them available at affordable prices to customers, providing after services such as repairs, guarantees, online instructions etc., inventing technology that improves the quality of life, providing improved work life to employees, generating work opportunities, paying dividends properly, giving ample discounts for dealers, offering attractive prices for suppliers, and contributing to the social welfare and natural environment by caring corporate social responsibility and ethics. Consideration can be effected by means of money, labor, consultation, and other suitable forms of benevolence. Hayakawa points out that consideration helps develop a lasting relationship between the beneficiary and benefactor. Manipulation of consideration in order to gain from beneficiaries violates the very meaning of this principle.

Capacity

Capacity is defined as talents and skills of the venture. Ventures find it difficult to always recruit personnel with right skills and talents that match the venture needs. Nevertheless, the venture can choose to engage in capacity building through training and development of human resources. The relentless environmental and technological changes require continuous improvement of worker skills. The concept of capacity development insists that the workers should be hired and developed to carry out not only mere routine work but to cooperate in the work environment. The capacity base of a venture is comprised of conceptual, technical, design, and human skills. Hayakawa insists that the entrepreneur himself must accumulate these capacities initially before accumulating them for his venture. The 'sixth sense' of an entrepreneur is assigned an important role in identifying the potentials of employees to develop capacity in them. The venture capacities finally appear as patent rights, copy rights, trademark, management competency, research and development, technical and technological competency, trade and distribution networks, art of lobbying, influence, motivation, and adjustment etc. The capacity accumulation begins at the start-up stage of venture. Capacity then endows the venture with competency to competition and growth. Capacity with the support of capital facilitates corporate mergers and acquisitions which is a mark of venture growth.

Connection

This refers to the accumulation of relationships through customer connections. Hayakawa emphasizes that it is wrong to hunt customers and customer hunting never helps develop customer relationships. On the contrary, co-existence with customers builds better relationships. The customers in a broad sense include suppliers, dealers and consumers. The practice of frequently changing suppliers, being serious about small price differences between suppliers, and severe bargaining with suppliers lead to poor supplier relations. Dealer relationship is essential for establishing an effective distribution network through which products are dispatched to the final customers. For the service they render, chances must be created for the dealers to earn satisfactory profits. Dealer satisfaction brings about strong relationships. Payment for inventory must be handled carefully so as not to damage the dealer relationship but also to keep the dealers still active in the network. A poor dealer at one time could become effective at other times. Frequent change of suppliers and dealers weakens relations. Venture should always maintain a thankful relationship with the final customers. Appreciation of customers can be expressed in a few unique ways. They include giving due value for the price, providing comfort or friendly service, improving customer tastes, and ensuring all time satisfaction through after-sale service. These relationships build healthy co-existence with suppliers, dealers, and consumers.

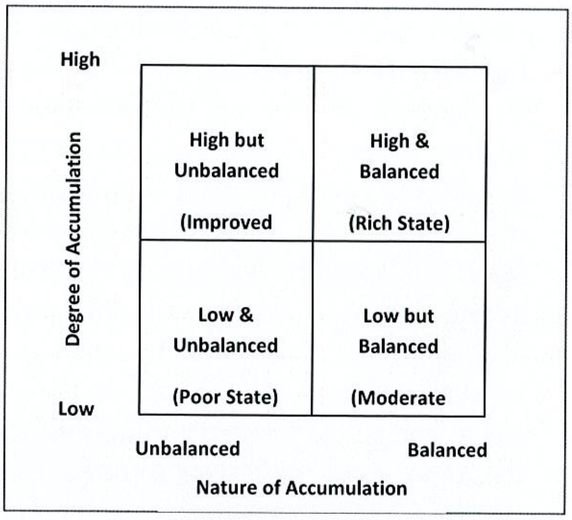
Types of Competency Accumulation

Successful accumulation of Credibility, Capital, Consideration, Capacity, and Connection (5-Cs) is completely a deliberate exercise. Accumulation of 5-Cs costs additional funds to the venture and requires incessant efforts. The ventures that possess balanced competencies will be strong in exploiting prospective venture opportunities while those ventures that possess unbalanced competencies will obviously be weak in exploitation of venture opportunities. For instance, a situation with a high level of accumulation of competencies such as credibility, consideration, capacity, and customers but low accumulation of capital will undoubtedly hinder exploiting venture opportunities due to financing bottlenecks arising out of capital shortage. Therefore, their parallel and corresponding strength is essential for venture growth. A highly accumulated set of competencies is always preferred to that of a moderately or lowly accumulated set. Above all, uniform accumulation of these competencies is preferred to that of lopsided accumulation.

The competency accumulation can vary from an unfavorable position to a favorable position. The favorable position of competency accumulation is a state in which competency level is both high and balanced whereas the unfavorable position represents a low and unbalanced state. On the other hand, competency accumulation can take either low but balanced or high but unbalanced state as well. In this scenario four states of competency accumulations can be identified as poor, moderate, rich and improved as illustrated in Figure I. The low and unbalanced or the poor state is not favorable for venture growth and thus the entrepreneur should take initiatives to move to the moderate state. This is the path to enter the rich state. On the other hand, the ventures that are in an improved state should endeavor to enter the rich state.

Figure I

The Competency Accumulation Matrix



Source: Rajaratne, M. (2011)

Conclusions

While a single innovation can create a venture, continuous innovations are essential for its growth. Therefore, venture growth is an outcome of the perpetual innovation. The greater the innovation the more extensive would the venture growth be. Opportunities for innovations generally avail for every venture regardless of its size and age. Yet it is obvious that different ventures respond to opportunities distinctively and in consequence they experience dissimilar growth.

Tokuji Hayakawa's principles of growth identify five competencies essential to exploit venture opportunities that appear in the entrepreneurial horizon. These competencies are Credibility, Capital, Consideration, Capacity, and Connection. The Competency Matrix illustrates that competencies accumulate evenly or unevenly, build low or high, and venture growth is powered by appropriately an accumulated set of competencies. These findings recommend that a venture must identify the components of each competency and cultivate a balanced composition of competencies throughout the life of the venture. The findings conclude that uneven growth among ventures is caused by uneven competencies and that ventures remain small as long as their competency base lacks strength to adequately exploit entrepreneurial opportunities. In summary, it is proposed that a substantial and balanced accumulation of the five competencies are required to achieve a significant venture growth. A theoretical foundation is established thereby to empirically investigate the growth problem of small and medium enterprises and to ascertain what factors cause venture stagnation and/or growth. This analysis derives four basic groups of ventures in terms of the level and strength of competency accumulation and thereby guides venture decisions towards the attainment of perpetual innovation and growth henceforth.

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Supplier Development: Value Creation in Supply Chain

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The competitive position of a business entity heavily depends on its ability to manage the supply chain productively. In this milieu, organizational buyers believe, developing their suppliers as a rewarding way to maintain the competitive position.

The objective of this easy is to examine the relative importance of the concept of supplier development to a developing country like Sri Lanka and shed some light on the way forward. An enquiry of this nature is relevant in the face of arguments take place that, significant involvement of buyers in improving their suppliers' performance can execute a huge impact on buyers' performance and maximize the overall value creation. The essay focuses on the effectiveness of such a concept to the competitive business setting. Relying largely on authoritative literature on the subject it will be organized as follows: definition of key words, evolution and current growth; possible practices; and discussion relating to Sri Lanka.

According to Chopra and Meindl (2016, p. 1) 'all parties involved, directly or indirectly, in fulfilling a customer request' can be identified as a supply chain and supply chain management deals with managing flows between and among supply chain stages to maximize the total supply chain profitability. There are three main parties can be seen in a simple supply chain namely; supplier, manufacturer and customer but in the complex business world there will be many more parties involved directly or indirectly throughout the channel. Managing relationships with all these parties in a supply chain is vital for organizational success and proper management of relationships with suppliers considered as one essential element of supply chain sustainability and organizational competitiveness. Additionally, among the different ways that a buying firm may deals with its suppliers in the chain: supplier switching, vertical integration or supplier development, the third option is becoming more important, as the other two are unattractive due to less availability of alternative suppliers and adverse impact on organizational core competencies respectively. According to Krause and Ellram (1997, p. 39) 'any effort of a buying firm with a supplier to increase performance and/or capabilities and meet the buying firm's short and/or long term supply needs' can be defined as a supplier development practice. In other words, the ways that the buyers be able to help their suppliers to improve their (suppliers') performance can be named as supplier development practices and buyers may implement such initiatives with the expectation of indirect impact on their own performance improvements.

In the global market, shortening of product life cycle has intensified the market competition and caused many organizations to concentrate on those activities that they excel-in during the limited period of time available for their product while outsourcing the other activities. This has created a decision point in business world moving from purchasing to supply chain management. Scholars have highlighted that in this competitive environment, companies are relying more on their supply chain as a source of gaining competitive advantage and to compete effectively in the global market; they must maintain and build relationships with a capable and competent network of suppliers and extract maximum value from those interactions. Throughout the past decade, the business community also has recognized the need to manage the supply chain as a part of broader business strategies especially to build and exploit shared relationships with supply chain partners. One of the best possible ways that buying firms can meet this challenge is developing their suppliers in a ways that improve suppliers' capabilities which inturn helps to imporve buyer's competitiveness. Because a developed supplier will ensures the augmented value addition that will lift up the buying organization to an order winner.

The ways and means that buyers can develop their suppliers vary significantly in a large spectrum. It is also should note that these various supplier development tools possess different costs and benefits to buyers and their suppliers with diverse levels of involvements. Supplier development activities include but are not limited to, evaluate supplier performance, provide supplier training or education, recognize supplier achievements, set supplier performance goals, provide financial support, provide physical assets, provide technical assistance, managerial assistance, information sharing, supplier rating, supplier involvement in new product development, visit regularly to supplier's plant, invite supplier to visit buyer's site, dynamic communication, use supplier certification progams, create competitive pressure, assign support personnel to the supplier's facilities, build supplier council for supplier feedback on buyer's performance, narrow down number of suppliers, select suppliers according to quality concern, supply base reduction, create a community of suppliers, promise of current or future business, supply base rationalization, quality assurance, employee exchange, clear specification, trust building, provide evaluation feedback, joint action, buyer's involvement in supplier's business etc. As mentioned above, activities may vary depending on budget concern, nature of the industry, scale of the busienss orgnization, the degree of relationship maintain etc. and it is important for buyers to select an appropriate tool for the situation.

Paying attention to Sri Lankan context, this will be a greate oppertunity for business organizations to be comtetitive in the global market. For a developing country, this will create avenues for local suppliers to acquire new knowledge, techonology, training and support from developed world if could be implemented on request. Furthermore, local buyers may implement these on small scall manufcaturers to ensure their survuival and strengthen supply chains. With one or few implementations it might create a massive impact on competitive performance interms of financial or non financial improvemnts. Its also should note that, this might cause some expenses initially for both parties but should be consider as a future investment. Parties moreover bear in mind that, over all value creation in a supply chain is greater than that of individual efforts. However, it seems that the concept is not much populer among local business entities or may not widely studied yet in local context but worth investigating.

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Department of Operations Management

Student Performance in the Management Internship Diaries and Undergraduate Research Symposium - 2017

The Undergraduate Internship and Research Symposium jointly organized by the Internship Committee and Undergraduate Research Committee of the Faculty of Management. The event was held on 08 June,2018 at the Faculty Auditorium. The Operations Management specialization student Ms. Zahara Munas, won 2nd place in management internship diaries presentation and Ms. L.N. Priyashani, won 3rd place in Faculty research sympsum for her abstract paper presentation.

Department- Industry Linkage Activities

As a partial fulfillment of the course work of Service Operations subject, the students were able to organize a series of guest lectures inviting industry experts. In this workshop series, a guest lecture on Facility Location was conducted by Mr. Saliya Dissanayake, Head of Operations, Laugh Eco Pvt Ltd; A guest lecture on 'Managing Waiting Lines in Banks' was conducted by Ms. Neluka Attanayake, Branch Manager, Seylan Bank- Pallekelle; A guest lecture on 'Demand and Capacity Management in Service Industry' conducted by Mr. Rushdy Raheem, Residence Manager, Amaya hills; and A guest lecture on 'Use of Technology in Service Industry' conducted by Mr. Rajiv Weragama, Engineer Service Assurance, Sri Lanka Telecom. Further to guest lectures, the Department arranged some field visits to give practical exposure to undergraduate students in their area of study. Second year undergraduates were taken a field visit to "Moragahakanda Project" and the third year Operations Management specialized undergraduates were taken a field visit to "Mihila Hydramani plant".

Department of Operations Management

Production and Operations Management Society International Conference - 2018

The Production and Operations Management Society (POMS) International Conference was held on December 14 -16 in Kandy, Sri Lanka remarking its origination in South Asian context. The conference was jointly organized by the Department of Manufacturing and Industrial Engineering, Department of Engineering Management and Engineering mathematics; Faculty of Engineering, Department of Operations Management ; Faculty of Management and Department of Computer & Statistics; Faculty of Science and of University of Peradeniya. At this prestigious conference members from Department of Operations Management, Mr. A.M.A.S.M Bandara (Lecturer) awarded by the best track paper- Big data and data analytics for OM/IE and Ms. H.L.M. De Silva (Lecturer Probationary) awarded by the best track paper sustainable manufacturing towards operations.

Research Publications and Workshops Attended

Department conducts a research session titled SORT (staff of Operations Research Talks) in order to encourage the staff members on research undertakings and also to create a platform to staff members to showcase their research undertakings. Ms. L.N. Priyashani presented a working paper titled 'Impact of Green Supply Chain Management Practices on Organizational Performances' and Ms. H.L.M De Silva presented a working paper titled 'The Impact of Supplier Development Practices of Retailers and Buyer – Supplier Relationship on the Performance of Supplier in the Clothing Industry in Sri Lanka' at the department SORT series.

Further to this, Mr. A.M.A.S.M Bandara (Lecturer)- published a paper titled 'Influence of User's Technology Readiness on the Perceived Value of Mobile Phone Enabled Internet Services' at the 30th Annual Congress of Postgraduate Institute of Agriculture (PGIA) and awarded as the best presenter - Agriculture and Economics and Extension. Mr. G.C.I Gunarathne (Lecturer Probationary) & Ms. L.N Priyashani (Temporary Lecturer) made a full paper publication on 'Impact of Green Supply Chain Management Practices on Organizational Performance of the Manufacturing Sector in Sri Lanka' at the 15th International Conference on Business Management (ICBM) of University of Sri Jayewardenepura, 2018. Also,Mr. G.C.I Gunarathne (Lecturer Probationary) published an abstract titled 'Impact of Perceived Ease of Use, Awareness and Perceived Cost on Intention to Use Solar Energy Technology in Sri Lanka" at the AGBA's 15th World Congress - held in Bangkok, Thailand. In addition, Dr .S. Maheswaran, Head, Department of Operations Management, attended Erasmus + collaborating meeting held in Pokhara University, Nepal representing University of Peradeniya.

Workplace Romance vs. Sexual Harassment

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In the contemporary business world the role of human resource as a vibrant aspect for organizational success is one that is challenging and crucial. Thus, keeping a sound interpersonal relationship with human capital would be an imperative. However, these relationships are recognized as argumentative, complicated and generate widespread human resource dilemmas, which could lead to either sexual harassments or workplace romances. Hence, this review attempts to create an understanding of different social-sexual behaviors in an organizational setting. According to Gutek (1985) variations in working circumstances provide an explanation for the two social-sexual behaviors in organizations: workplace romance and sexual harassment. However, these two notions are unambiguously dissimilar to each other. Workplace romance is an area of organizational behavior where work behaviors overlap personal boundaries and raises conflicts between professional codes of conduct and the right to privacy, whereas sexual harassment can be explained as any unwanted and unwelcome conduct of a sexual nature which explicitly or implicitly could affect the individual's employment and create an intimidating, hostile or offensive work environment.

Mutually preferred sexual relationships between two employees of the same organization are recognized as workplace romances (Mainiero, 2013; Pierce & Aguinis, 2001) and unwelcome sexual requests, sexual favors, and other physical verbal or implied conduct of a sexual nature are considered as sexual harassments (Fitzgerald, Gelfand, & Drasgow, 1995). The existence of both workplace romances and sexual harassments are apparent at organizational settings and the key contrast between them depend on the perception of the recipient. For instance, if the recipient considers a certain behavior that is sexual in nature to be annoying and thus unwelcome, such behavior is categorized as sexual harassment. In contrast, if the aforesaid behavior is entertained, willingly engaged in and mutually agreed upon, it can direct to workplace romance.

The Vault.com (2011) workplace romance survey of 2,083 full and part-time workers found that 59% had dated a coworker. 64% reported that they would participate in another workplace romance. One in five confessed a relationship with a boss, and 15% said they had had a relationship with someone they supervised. While, there is an increasing trend in sexual harassment at workplace, less obvious forms of harassing behavior such as unwanted sexual attention and gender-based harassment are much more common than unashamed forms of harassing behavior such as sexual coercion and assault.

A clear difference between these two social- sexual behavior patterns within a workplace is that while romances contain the probability in creating both positive and negative consequences, sexual harassment generates negative outcomes to the organization. For example, scholars have asserted that romances can increase job involvement, advancements, performance, job security, work motivation among romance participants. Although this in turn could result in positive emotional reactions toward their workload, it can also decrease work group morale, create work disturbance and discrimination of other employees due to favoritism toward the romantically involved party. Such behavior could negatively impact the career welfare of others thereby decreasing organizational output. Sexually harassing behavior on the other hand creates only negative consequences for the harasser, victims, coworkers, and organization. For example, such behavior can decrease job productivity and increase psychological stress, tardiness, absenteeism, and turnover.

Moreover, there may be instances where workplace romance could lead to sexual harassments. According to the Society for Human Resource Management, 24% of sexual harassment issues had arisen as an outcome of workplace romances. Researchers revealed that nearly 48% of workplace romances disband as a result of sexually harassing conduct at work. The following instance within a Sri Lankan workplace can be presented as an example situation. Asanka and Sonali are employed in the same company and according to Asanka; Sonali had had a strong infatuation towards him who was already married with two kids. Their relationship had eventually built up into an affair. However, later on Asanka stated the following;

> *Asanka: Being a married guy with two kids, this 'ex' relationship is a little bit embarrassing. After some time, and some incidents, I started feeling guilty when I went home. She used to send me unwanted SMSs while at home saying things like "I want to meet you, I feel lonely, I miss you, etc." ... sometimes when I am on leave, she expects me to come out to meet her.*

Therefore, although the relationship had initiated with mutual consent, later on since Asanka as the recipient began viewing it as an unwanted and annoying relationship, the workplace romance had converted to a sexual harassment.

> *Asanka: One day I had to drop her after an office party and it was around mid-night. At that time she wanted to kiss me, and she did it without my consent. I did not expect to be in such a deep relationship with her, and it negatively affected me and even resulted in me having to change my job.*

Pierce and Aguinis (2001) have identified different motives for workplace romance: (a) sincere desire to seek a long-term companion or spouse (love motive); (b) desire to seek adventure, excitement, sexual experience, or ego satisfaction (ego motive); and (c) desire to seek advancement, security, power, financial rewards, lighter workloads, or increased vacation time (job-related motive). These three types of motives vary according to the relationship pattern between the two participants. According to Pierce and Aguinis (2001); (a) if both employees have a sincere love motive, it is known as companionate love; (b) when both parties have love and ego motive, it is labeled as passionate love; (c) if both employees have an ego motive, it is considered as a fling ; (d) when both employees have a job-related motive, it is mutual user; (e) if one employee has a job-related motive, and the other employee has an ego motive, it is named utilitarian. Companionate and passionate workplace romances can be considered as genuine or socially permitted love motives, while flings, mutual user, and utilitarian workplace romances are labeled as less genuine or self-centered ego and/or job-related motives. Almost all of the above types of workplace romances are apparent in both local and global workplaces. However, in the Sri Lankan context, a majority of participants perceive the romantic partner's legitimate and position power, formal status within the organizational hierarchy since he/she can gain many benefits by using his/her partners' social power in the organization. Thus many such relationships within the Sri Lankan work setting are utilitarian.

Similarly, Fitzgerald, Gelfand, and Drasgow (1995) suggested that sexual harassment involves three key dimensions such as Sexual Coercion (behaviors that explicitly or implicitly link sexual cooperation to job related outcomes) Unwanted Sexual Attention (behaviors that are initiated for the purpose of gaining sexual cooperation but are not welcomed by the recipient nor tied to job-related outcomes), and Gender Harassment (behaviors that express hostile, degrading, or insulting attitudes but are not initiated for the purpose of gaining sexual cooperation). However, Equal Employment Opportunity Commission (EEOC, 1980) stated two types of sexual harassment mainly Quid Pro Quo (sexual compliance through promises of reward or threats of punishment) and Hostile Environment (unwelcome sexual conduct irrationally affecting an individual's work performance or creating a threatening, antagonistic or unpleasant work environment). The following is an example situation for quid pro quo harassment in the Sri Lankan context:

> *A very senior manager influenced me to associate with him and go out with him because he held a very top position within our company. Actually I didn't have much power to refuse and I had to obey his demands because he is the one who had helped me to find the job. (Damith; 29 years)*

Similarly, Hostile environment situations are also apparent in Sri Lankan workplaces.

> *It was only an invitation by one of my colleagues and he was a very good friend of mine and this incident happened roughly about one year ago, when he was abroad. We usually communicated via Skype and emails and suddenly I received a Skype message stating the intention for sexual behavior (Kusal, 38 years)*

To conclude, it is apparent that workplace romances and sexual harassments differ from each other and in certain instances, sexually harassing behavior could occur within organizations as a result of workplace romances. This review has attempted to fill the gap between the two social-sexual phenomena in organizations.

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