

- PN-ABT-244 15291784

- PREFINAL/FINAL DRAFT -

AID/YPO ENTREPRENEUR DEVELOPMENT PROGRAM

GRANT NO. OTR 0001-G SS 2299 00 - SRI LANKA

SRI LANKA MISSION REPORT AND EVALUATION

SUBMITTED BY

Jonathan A. Green, President
Green International, Inc.
504 Beaver Street
Sewickley, Pennsylvania 15143
Telephone: 412-761-2770
Telex: 7106683873 GREEN INT SEWI

October 31, 1985

NOT FOR GENERAL DISTRIBUTION

Distribute to: Mission Members
Sandy Shapleigh

INTRODUCTION

The United States Agency for International Development (AID) has contracted with the Young Presidents' Organization (YPO) to provide services designed to promote entrepreneurial capability in seven lesser developed countries (LDC's). The project is to be completed by January 31, 1986 and essentially involves two visits to each country - the first a reconnaissance visit by the mission leader followed by a second visit of from six to ten YPO members, including the mission leader.

The objectives established for the Sri Lanka Mission were developed in the context of the general program purposes and objectives as described in the Phase I Planning Report and Phase II Proposal. These specific program objectives were all designed to encourage entrepreneurial behavior among Sri Lankan entrepreneurs, and they included:

1. **Familiarizing North American businessmen** with the culture, business climate, and business practices in the host country of **Sri Lanka.**
2. Conducting an **educational program** for a wide-range of entrepreneurs and managers in Sri Lanka.
3. Direct **one-on-one contact** with Sri Lankan businesses and leading entrepreneurs.
4. **Strengthening the Sri Lanka Business Development Center.**
5. Setting the stage for on-going technology transfer and private sector growth through **ongoing relationships** between YPO firms and Sri Lankans.

To a substantial degree all five objectives were met during the mission. In addition a great deal was learned regarding this type of mission which can be applied to similar future efforts.

YPO MISSION PARTICIPANTS

(From Report of Larry Brown)

1. **YPO** - The YPO Team was selected to respond to the identified needs described in part III above. All participants were potential joint venture partners, certainly potential investors or buyers, and together were capable of transferring management technology. The specific skills of certain members were particularly appropriate in responding to the need to provide development support to the SLBDC. The YPO participants included:
 - a. **Jonathan Green**, [Team Leader] Green International Inc., Sewickley, PA, consulting engineers and planners. As mentioned earlier, the program developed by Jonathan following his investigation trip was executed in nearly its originally proposed form. This speaks highly of Jonathan's perceptual and conceptual skills. Jonathan arranged for the participation of Kitty Koenig. Arriving two days in advance, they assured that all arrangements were complete before the arrival of the full YPO team. All logistics were handled by them. In addition to continually performing as the coordinator, he actively participated as a member of the team and contributed significantly to the effectiveness of the educational elements of the program and to the cooperation and contribution of all members of the team. As Team Leader, Jon did not spend time seeking potential personal business opportunities. Nonetheless, at the time of my departure, it appeared that Jon would remain in Sri Lanka for one or two additional days to finalize a business deal.
 - b. **Kitty Koenig**, Thai-U.S. Trade Council, Bangkok, Thailand. Kitty served as a lead coordinator for the "YPO Bangkok University". She was responsible for assuring that all logistical arrangements were carried out and that the country and cultural learning experiences, always an important part of the "Universities", were well executed and meaningful. Her participation relieved pressures from the main YPO contingent which otherwise could have distracted them from the primary purpose of their mission. As a Chief Executive Officer in her own right, when possible she also participated in the activities of the Sri Lanka program contributing her insights and experiences. Being less experienced than all other members of the YPO team, her programmatic contributions were less significant.
 - c. **Michael McNabb**, YPO International, Regional Representative for Asia, Hong Kong. Michael has extensive experience in Asia working on several occasions for U.S.A.I.D. He, like Kitty and Jonathan, played an active role in the "YPO Bangkok University". This experience was invaluable in assuring the smooth operation of this program. In addition, as a staff member of YPO International, Michael was the appropriate individual for developing the potential for establishing a YPO Chapter in Sri Lanka. Michael's experiences in Asia have also contributed significantly to the various meetings and management development activities of this Sri Lankan program. He devoted a portion of his time to investigating the Shrimp/Prawn farming business. As a result, there may be an opportunity for the PRE Revolving Fund. His participation was at the expense of YPO International.

- d. David Wechsler, Athos Steel and Aluminum Inc., Philadelphia, PA. David has extensive teaching experience as an adjunct professor at the Wharton School of Business, University of Pennsylvania, and is the Chairman of the Philadelphia Export project which is designed to provide small and medium-sized business firms with Wharton MBAs to aid them in export development. David contributed the structure of the management development elements of the program for Sri Lanka. His Wharton and Philadelphia experiences, as well as his experience in guiding similar activities for the YPO in the U.S. and in international YPO "Universities", was apparent in the ease with which he carried out this, in the best of situations, difficult responsibility. Probably because of his teaching experience, I found him to be more patient than myself with respect to the occasional apparent inability of individuals to understand what were, in my opinion, relatively simple concepts.
- e. Joe Terteling, Terteling Co., Inc., Boise, Idaho. Joe visited Sri Lanka in February 1985 following the "YPO Bangkok University" to visit his son who is a Peace Corps Volunteer in Sri Lanka. Although there was an obvious personal interest in participating in this mission, Joe's prior exposure to Sri Lanka was apparently sufficiently interesting for him to volunteer to return. His professional interests include a broad range of activities. Nearly all of his company interests would be beneficial to Sri Lanka. Joe is particularly supportive of Democratic societies and very concerned by terrorist activities. These enhance the possibility of Joe being of further service to Sri Lanka. In addition, Joe is active in Junior Achievement which may be of interest to Sri Lanka. Of most interest to Joe was the possibility of oil and gas development in Sri Lanka.
- f. Frances Todd Stewart, Kerr-Hays Company, Pittsburgh, PA. Frances heads an import/export business in handcrafted items from all over the world and manufactures customized houseware and promotional items. It is also important that she is a member of the Board of Directors of OPIC. Her business line is of obvious relevance to Sri Lanka. Frances also participated on the PPE/YPO mission to Indonesia. Her business and Indonesia experiences contributed significantly to the effort in Sri Lanka. Frances came to Sri Lanka with a serious interest in "doing business", and it appeared as though she was likely to leave having made initial orders for samples. In addition, her participation in OPIC provided her with a particularly clear concept of "political risk" as it is perceived in the U.S.
- g. Edward Zolla, Benhar-Angus Mills Inc., Los Angeles, CA. Ed is a manufacturer and importer/exporter of kitchen textiles including towels, dish cloths, oven mitts and potholders. He currently imports from Taiwan, Hong Kong, India and Pakistan, among other countries. He is particularly interested in Sri Lanka from the quota perspective. One of his suppliers currently operates a facility in Sri Lanka. Ed's product lines are particularly well suited to manufacture in Sri Lanka. Ed's particular YPO Chapter had certain characteristics which were also relevant to the program, i.e., his Chapter has several types of "Forums" to address the needs of the membership, all of which demonstrate the concept and benefit of mutual assistance.

h. John Gill, Club House Foods, Inc. (Affiliate firm of McCormick & Co. Inc.), London, Ontario, Canada. John's company deals in spices, seasonings, flavorings, condiments and specialty foods. In addition, it is one of the largest agro-processing firms in the world. As one of the largest buyers and marketers of spices, John was singled out by a number of Sri Lankans as an obvious target for business discussions. Prior to my departure, John indicated an interest in developing business relationships with Sri Lanka. There is potential for PRE's Revolving Fund to become involved. Although presumably selected for the team because of the obvious spice potential, the inclusion of a Canadian demonstrated the cooperative nature of free enterprise in North America and the international scope of YPO.

i. James Dodson, Koss Corporation, Milwaukee, WI. While Koss is a leading producer of electronic components and accessories, Jim's experience is far broader than this. Jim has served as a consultant to firms in many industries in the U.S. and currently serves on the Boards of several companies other than Koss. As a consultant, Jim does not accept assignments exceeding three days, which is sufficient time for him to satisfy task requirements, speaking very highly of his perceptual capability and knowledge base. Jim is the YPO Chapter Chairman for Milwaukee and is dedicated to the principal of helping fellow businessmen. Jim demonstrated initiative and dedication to making the program as successful as possible by not relying on the SLBDC to do everything for him (and not then blaming them when things did not happen) by proceeding to independently call businessmen to arrange his own factory site visits (he was able to visit a garment factory and coconut mill). This visit may result in orders for new lines of cut-and-sew products and in the development of a printed circuit board industry and related "stuffing" business.

DAY 1 - DETAILED DISCUSSION AND EVALUATION OF SPECIFIC PROGRAM ELEMENTS AND OBJECTIVES

ORIENTATION

The first and prime requirement in undertaking any of the AID/YPO Missions is a thorough orientation to familiarize the YPO members with the culture and political/economic environment of the country in which they are working. This orientation takes three forms: The first is a selection of reading materials to be distributed prior to the mission; second, a specific orientating set of briefings by US government and host country individuals; and third, the early sessions of the Mission which serve to orient the YPO members through contact with Sri Lankan business persons.

In selecting materials for orientation prior to a mission, care must be given not to overload the YPO members with reading material beyond their time capacities. If an overload occurs, the general tendency is to read very little of the material prior to the mission. Consequently, at selected intervals of time approximately 10 documents were sent to the YPO members who were going to attend the Sri Lanka program. These materials included the Foreign Economic Trend Report of the US Government, a specially prepared synopsis of Sri Lankan history, the Insight Guide to Sri Lanka, the Lagoon Series - a poetic and artistic description of activities that had their genesis in Sri Lanka, the Phase 1 Mission Report, a description of the goals and objectives of the overall program, the materials provided by the Sri Lanka Business Development Center and the Greater Colombo Economic District, a list of American firms with investments in Sri Lanka, and a booklet which listed the opportunities for investment in Sri Lanka prepared by FIAC. Additional materials on health, clothing and the like were also sent to the participants along with advise on travel arrangements. Lastly, specific assignments for individual members to

perform were distributed and discussed with each mission participant prior to their leaving the United States or Canada.

Although the formal orientation was scheduled for Monday, May 13, 1985 an informal orientation was provided at a cocktail party hosted by the SLBDC the evening that most of the team members arrived. At the cocktail party SLBDC provided a packet of materials to aid travelers in accustoming themselves to the geography and business climate of Sri Lanka. The following morning at 8:00 o'clock a series of formal briefings were held beginning with representatives of the US government followed by representatives of the government of Sri Lanka, the SLBDC and an American banker headquartered in Sri Lanka. The time available for formal orientation ran basically from 8:00 o'clock until 12:00 with the American banker making the luncheon presentation. The first sessions by the American Embassy personnel were of very high quality including that made by the representative from AID, Mr. William Shoux. In general these briefings were far superior to the briefing held in other countries, perhaps because the political situation is so complex in Sri Lanka. In particular the briefing by Mr. Victor Tomseth was both frank and enlightening.

Because the mission was attended for its first week by Mr. Larry Brown of the Bureau of Private Enterprise, and his comments represent an independent view of the program, his conclusions will be quoted extensively for this evaluation. Mr. Brown stated that "All presentations were informative and essential to an understanding of doing business in Sri Lanka. It became obvious, however, that there were significant "turf" situations in the Sri Lankan government bureaucracy just as in most."

In describing Mr. Wade's discussion after the luncheon, Mr. Brown states "It was unfortunate that when Mr. Wade was asked to describe one success and

one failure in the foreign investment in Sri Lanka that he had to say that he could not think of a success."

The formal briefing, as was expected, did not answer all the questions about Sri Lanka that the YPO members might have wished to pose. This is appropriate because subsequent exposure to the Sri Lankan business community raised additional questions and clarified many of the questions that might have been asked and answered. The method utilized by the YPO Missions to enable YPO members to gain an understanding of a new culture and business environment is an iterative process which involves adding understanding on a staged basis. Since, by the end of the mission, the members had a significant understanding of Sri Lankan business practices and conditions, the orientation can be viewed as a success in providing that first hands-on exposure to Sri Lanka that was necessary at that point.

Following the orientation, a bus tour of Colombo was provided which gave those individuals who had never been to Sri Lanka an opportunity to get the lay of the city. Later in the evening a meeting was held with members of the SLBDC to redefine the tactics to be used in the Management Theory and Practice Workshop which was to be held the following week.

Conclusion No. 1

A relatively brief orientation on-site the first day following selected readings still seems to be a **satisfactory** method to get YPO members oriented for missions of this type. However, if funds permit, it would be more valuable to have an orientation session of two days that would provide more opportunity for YPO members to meet Sri Lankan business people. Optimally, an orientation meeting prior to the mission somewhere in the United States followed by a brief orientation on site would be the ideal.

DAY 2 - JOINT VENTURE THEORY AND PRACTICE SESSION

The Joint Venture Workshop Program constituted one of the major presentations by YPO during the mission. The purpose of this session was to illuminate the different perspectives and consequently different requirements of joint venturers from outside Sri Lanka (particularly the United States or Canada) and the Sri Lankan business person participating in the joint venture with an outsider.

A secondary purpose was to further the understanding of the YPO members of the way Sri Lankan business persons view business situations. The audience was to consist of mid-level Sri Lankan and small level entrepreneurs. Approximately 50 Sri Lankans attended. The case study method was used to enhance the interaction between the Americans and the Sri Lankan participants. The comments of Larry Brown are presented below followed by the evaluation of the leader of this section of the program, Mr. David Wexler, a YPO member and adjunct professor at the Wharton School in Philadelphia. The final exhibit relative to the joint venture workshop is the case study that was used in the afternoon session and the tabulation of the evaluations that were submitted by the participants from Sri Lanka who attended the session. (To be Added)

Mr. Brown stated "...The case study methodologies served as an excellent means to expose the Sri Lankan's and the YPO'ers to the characteristics of each other....The groups themselves might have been better structured in that like businesses and representatives from the same firms tended to be in the same groups, lessening the interchange of new ideas."

With regard to joint venturing technology, Mr. Brown stated "This need was addressed in several ways. Clearly the Joint Venture Workshop transferred a tremendous amount of information to the participants, both Sri Lankan and YPO. All other events where the YPO team members asked questions and expressed

opinions were equally significantly transfers of joint venturing technology. The point is that each YPO'er represented the potential joint venture partner and however that YPO'er acted and what ever was of importance to that YPO'er, is what is of importance to practically all potential joint venture partners."

Conclusion No. 2

The joint venture workshop program which exposes American and local entrepreneurs and managers to the different perspectives regarding possible joint ventures between local and American firms is a very valuable exercise. The case studies that have been developed for this program have been tested in several locations and found to yield valuable results in terms of encouraging group interaction and communicating important information. The program could be improved, however, by adding a component which would involve a case study wherein a theoretical joint venture were negotiated and established again using the case study methodology. The purpose of this case would be to illuminate all the crucial technical elements that must be satisfied in developing a joint venture that crosses national boundaries.

EXHIBIT I

YPO U.S. AID MISSION TO SRI LANKA

EVALUATION OF JOINT VENTURE WORKSHOPS ON

TUESDAY 14 MAY 1985

A. Objectives as Perceived by David Wechsler, Day Chairman:

1. To introduce YPO members to Sri Lankan business people;
2. To introduce/reiterate the use of case studies to the S.L. business people;
3. To involve Sri Lanka business people with U.S. entrepreneurs/corporate presidents in the academic analytic process as closely as possible;
4. To permit YPO members to experience in-depth learning while being forced to facilitate the case studies;
5. To permit, through this close contact and involvement, both groups to understand the other better to facilitate further business discussions;
6. To analyze the subject matter, "Joint Ventures", from both the U.S/foreign point of view and that of the Sri Lankans;
7. To present a different type of hands-on, interactive environment for Sri Lankan business people to experience; and
8. To "break the ice" between the two parties this early day to accelerate business dealings for the coming week.

B. The Process:

1. Introductions of YPO members; 9:00 - 9:30 A.M.
2. Introduction of case method; 9:30 -10:15
3. Tea Break; 10:15 -10:30
4. Four (4) groups were selected from the four (4) quadrants of the room and proceeded to four (4) separate work rooms. Each group had two (2) YPO participants;
5. The morning case, Zenith Mfg., a foreigner looking for a potential joint venture partner, was analyzed and a S.L. spokesman selected to present the findings to the collective session; 10:30 -12:15 P.M.
6. Lunch; 12:30 - 1:30

EXHIBIT I
(Continued)

7. Four (4) groups reconvened and discussed the second case, Fernando and Co., the need of a joint venture partner, from the Sri Lankan point of view; 1:30 - 3:00 P.M.
8. Tea Break; 3:00 - 3:30
9. Each group presented its conclusions of each case; there were eight (8) different presentations by S.L. business people; 3:30 - 4:15
10. Concluding remarks by Jon Green and David Wechsler; and 4:15 - 4:40
11. Evaluations completed. 4:40 - 5:00

C. Results:

1. Introductions of both YPO members and to the case study method went well. Numerous S.L. business people approached YPO participants shortly thereafter as contacts for potential business dealings. Moreover, later feedback was that, because there was a sense of humor and interesting information in the introductions, the Sri Lankans felt close to the U.S. participants quickly;
2. The Case Studies went relatively well. The cases had been written by David Wechsler specifically for this day's workshops. They were short and provocative and contained enough data to maintain a lively discussion. The second case, from the Sri Lankan's point of view, was reviewed by one Sri Lankan and a few modifications were made to make it credible. The S.L. business people had obviously listened about how to approach a case study during the introductions. Each group, as was expected, developed its own dynamic and style. The first case, Zenith Manufacturing, permitted the S.L. business people to see the problem from the foreigner's point of view; this role playing produced excitement and reasonable analyses in each group. The second case, Fernando and Sons, from the S.L. point of view, drew out more of the local biases, self-criticism, and a good analysis of the alternatives available to a S.L. businessman. One group suffered a bit because it happened to have a large number of participants from one bank and only two business people; it turned out that they were all from the Bank of Ceylon and happened to all sit together.

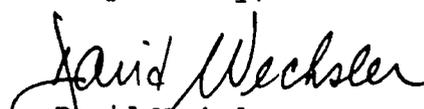
Conclusion: The case studies remain a useful and dynamic tool for interactive discussions. It was helpful that the two cases were tailored specifically to Sri Lanka and to the subject, joint ventures. It is recommended that this format be maintained. However, when selecting groups, it should be done randomly to avoid getting any one group that is too homogeneous.

EXHIBIT I
(Continued)

3. Involvement of the Sri Lankans and the YPO participants was excellent. The Sri Lankans were, for the most part, able to throw themselves into the cases and take the role of either the U. S. businessman or the Sri Lankan. The articulation level was much higher than anticipated. The cases definitely helped to bring both parties together. The final presentations to the collective group were relatively long and drawn out; however, it kept all of the Sri Lankans' interest and hardly anyone left who had started out with the group at 9 A.M.; there was, perhaps, a 5% attrition; and
4. Success of the Day. Compared to the Indonesian experience, this day rated highly, say a 9. Participation, enthusiasm, articulation, and handling the subject were all high. Moreover, the follow-up by many Sri Lankans with YPO business contacts was much higher than in Indonesia.

The YPO participants, as usual, were highly enthusiastic and contributed both individually and as constructive group members. Since each group attacked the problems differently, we all learned from each other.

Respectfully,


David Wechsler,
Day Chairman

cm

S. FERNANDO AND SONSCONSIDERATIONS OF A JOINT VENTURE

In May, 1985, Mr T. Fernando was very interested in expanding his company, S. Fernando and Sons (SFS), especially in the area of exports. The Sri Lankan government had recently offered incentives to companies which increased exports; moreover, Mr Fernando felt that it would be patriotic to export and to create new jobs. SFS was located near Colombo, and manufactured small electrical fixtures, some lighting fixtures and components, and other products. SFS employed about 80 semi-skilled workers; total employment was 95. SFS had been started by Mr Fernando's father in 1965 and had grown modestly over these years; Mr Fernando Sr. was now 67 and liked to come into the shop and to help build the dies, tools and fixtures for new products; he also glanced over the accounting books each morning.

Mr T. Fernando had heard that many opportunities existed in working with foreign companies in export marketing, in capital infusion, and in technology transfer. He was specifically interested in manufacturing electrical or electronic products and felt that there were more possibilities in using plastic raw materials, such as polyvinyl-chlorides (PVC). Since plastics were often a by-product of petroleum refineries, Mr Fernando was wondering in which countries he might find a partner who would provide adequate capital, supply raw materials, market the Sri Lankan manufactured parts abroad and transfer the appropriate technology.

In talking with his younger brothers and family friends, they all felt that there were many opportunities with business people in the U.K. and Germany, both of whom exported plastics and chemical raw materials. They also thought about a few companies they knew from France and Italy but were a little concerned about language barriers. Some close family friends had gone into a joint venture with an American textile company in 1983 and things were going very well - the strong upward movement of the U.S. dollar during the past few years had made things go even more smoothly than expected.

EXHIBIT II
(Continued)

9-385-001

. 2 .

Mr Fernando was aware that any joint venture had to be approved by the Greater Colombo Economic Commission (GCEC) or by the Sri Lankan Foreign Investment Advisory Committee (FIAC) depending on the area of operation and whether the product is exclusively for export and wondered where he should start. ~~Instead~~, he contacted the British, German and U.S. embassies for advice. In each case, the commercial officer asked Mr Fernando many, many questions: What kind of a joint venture partner was he looking for? How large a partner? A private company or a publicly held company? What attributes should the potential partner have? Who would supply any required capital? What percentage of the business were they willing to sell to a foreign investor? Did SFS have a Business Plan to show to potential partners? Could he take a trip to visit a potential partner? Each embassy felt confident that they could locate a good partner.

Many questions were ringing in Mr Fernando's head as he returned home from the U.S. Embassy on the morning of May 14th; he had arranged to have a round table discussion with his father and his two brothers. As he drove home, he wondered if maybe it would be easier if he simply worked with an established trading company - they were already in Colombo and probably knew all of the answers.

14

DAY 3 and 4 - MEETINGS WITH INDIVIDUAL SRI LANKAN BUSINESS PEOPLE AND
DAY 4 - MEETING WITH THE SRI LANKAN BUSINESS COUNCIL

The purposes of this section of the program were as follows:

1. To provide advice and consultation from the YPO members to businesses or entrepreneurs who had come to SLBDC for assistance.
2. To introduce potential outside investors (as represented by the YPO contingent and their network of contacts in the United States and Canada) to firms or individuals from Sri Lanka who were seeking outside assistance to develop new business propositions.
3. To further the educational elements of the overall mission in two ways:
 - a. To allow Sri Lankan business persons to have intimate and first-hand contacts with American entrepreneurs.
 - b. To allow the U.S. and Canadian YPO members to obtain a closeup view of business practices in Sri Lanka on a one-to-one basis with actual operating entities in Sri Lanka. This portion of the program was designed, therefore, to strengthen the ability of the YPO members to conduct the subsequent Management Theory and Practices Workshop in a manner best suited to the Sri Lankan business community as well as enabling them to be better prepared to make investment decisions or provide advice to other outside potential investors.

The Wednesday meetings were established by SLBDC according to the requests of Sri Lankan businesses. The Thursday portion of the program involved meetings requested by YPO members based on their particular areas of interest but followed the same basic format as the Wednesday session - the only difference being the source of the request for meetings.

As with any program in which there are approximately 30-40 individual meetings, the results were mixed in terms of the degree of assistance and learning that was provided. Recognizing, however, that even meetings which were frustrating or disappointing from the standpoint of either the Sri Lankan or American still provided substantial learning about the full panoply of personalities and situations, this section of the program was extremely successful. As always, a few meetings were missed and appointments not kept because of misunderstandings on the part of either the American or the Sri Lankan. Nonetheless over 30 sessions were held and some of them have led to ongoing business discussions.

Four other major events were held during the Wednesday and Thursday period and each provided opportunities for contacts and interaction between Sri Lankan business persons and the YPO team. Perhaps the most important of these was the round-table discussion with the Sri Lankan Business Council. This meeting was held at the SLBDC office and had been arranged upon recommendation of the head of the SLBDC. During the reconnaissance, the Mission Leader met with a very dynamic young businessman, Mano Salvanathan, who heads the Council; and based on the very strong positive impression made by Mr. Salvanathan on the Mission Leader, it was determined that Mr. Salvanathan would gather the dynamic young business community in which he interacts extensively and put it together in a closed format with the YPO Mission. Several of the attendees appeared not to be personally known to SLBDC prior to the meeting even though they represented substantial business interests in Sri Lanka and, therefore, the session may have follow-on value to the SLBDC.

The meeting began with each of the attendees describing their very substantial and diversified business interests. A large portion of the subsequent conversation centered on the communal unrest in Sri Lanka and had a real and

honest flavor to it because it was viewed from a prospective of serious business actors trying to deal with a complicated situation.

The YPOer's concern about communal unrest had been growing from the moment of arrival and before. It represented the major obstacle that exists in the minds of most outside investors when they look at Sri Lanka, and it is a subject that must be dealt with clearly and honestly in order for Sri Lanka to obtain the kind of outside involvement and assistance that it both seeks and requires to rapidly realize its economic opportunities. Perhaps the best response to this concern was the fact that the Sri Lankan Business Council was a very mixed ethnic and religious group. There were Singhalese Buddhists, Singhalese Christians, Tamil Christians, Tamil Hindus, and Moslems represented at the meeting. **The ability of these individuals to gather together and work together did a great deal to reassure the YPO members that communal difficulties could be dealt with by business persons in Sri Lanka.**

Additional discussions of specific business areas was brief; but, **the contacts made at this meeting led to subsequent joint venture opportunities in a number of cases.** (At least three of these opportunities are being pursued at the present time with one of the joint ventures consummated during the trip).

The other three sessions during these two days were also useful in providing contacts between the two groups. They included a presentation by the YPO members at the Chief Executive Management Forum at the American Center at 5:00 on Thursday, a dine-a-round program where the YPO team was divided up into small groups and went to dinner at the homes of various Sri Lankan business people and a cocktail party at the home of the US/AID Director.

The dine-a-round was very successful. **This kind of meeting-ground for potential outside investors with Sri Lankan business persons should be attempted and included in every investment promotion program for Sri Lanka.** It

enable outsiders to gain a greater understanding of the circumstances in which these potential partners that they would deal with live as well as the circumstances in which their staff persons from the outside that might be located in Sri Lanka after they made an investment would find themselves. Lastly, it provides an additional intimate setting for the discussion of business matters as well as a learning opportunity to understand better the culture of the local country.

The Thursday session at the Chief Executive's Management Forum at the American Center was a major disappointment owing to a failure of the YPO Mission Leader to adequately understand the purpose of the visit. As with every mission, some things seem to receive lesser attention and as this event was scheduled after the reconnaissance mission, a clear understanding was not developed by the Mission Leader who is fully responsible for the failure to perform adequately by the YPO team. It proves once again that **the Mission Leader should delegate responsibility for every specific event to a member of the team and not maintain the primary responsibility for any of the specific activities. His or her role should be as a potential backstop for all activities, a conceptualizer, and assistant to the individual who is responsible for a specific activity.**

The last event of this two-day period was a cocktail party at the US/AID Director's home. The Director deserves much thanks for assembling a large crowd of both Sri Lankan business people and government officials from Sri Lanka plus U.S. Government personnel. In addition a variety of consultants working for US/AID were present. As always, these large meetings provide opportunities for YPO members to test their understanding of the local scene by querying a wide range of individuals; and as always, it is learned that information which has been provided is often one-sided and only part of the story.

This is to be expected. The gracious hostess for the cocktail party was unfortunately bedeviled by rain and the party had to be shifted indoors at the last minute. Nonetheless the overall purposes of the affair were well fulfilled by the varied backgrounds and high quality of the guest list.

Overall the two-day period of one-on-one meetings and social contacts between the mission participants and the Sri Lankan community was highly useful to the mission although some disappointment was identified by individual YPO members who did not meet with the specific business contacts they were seeking. Specific comments from individual members are provided in later sections of this report.

The one area of special disappointment was the difficulty in arranging visits to actual working factories in Sri Lanka. While this problem was partially resolved by the following day's activities, it should be noted that **YPO members (and, we believe, all serious potential investors) want to get as close to the actual operating productive units as they can and see as many of them as possible during their time in the country.** Serious investors need to know how business is actually conducted at the factory level in order to judge for themselves the quality and the approaches in a given society that are taken to business. Furthermore, since the individual investor/businessperson has a very good standard from his/her experience in other countries in his/her own specific business area, a great deal of insight is obtained into the working practices, culture and ethos of a society by seeing how things are done in a new location. While some factory visits were arranged, this portion of the mission should have been enlarged.

Conclusion 3 - Individual Meetings:

Individual one-on-one meetings at the request of the local business community and at the request of the mission members are a crucial part of

way mission. They provide not only an opportunity to gather valuable information about local conditions for the mission members, but also provide the framework from which ongoing business relationships can be established. These ongoing business relationships provide the best opportunity for long-term technology transfer of business practices and entrepreneurial energy.

Conclusions 4:

It is crucial in any country that the investment promotion that those persons engaged in investment promotion to investors from outside the country be forthright and honest with regard to the difficulties in doing business in the country as well as to the positive factors influencing the business decision. By emphasizing the difficulties as well as the advantages, a high degree of credibility is obtained for all the information provided.

Conclusion 5 - Dine Arouds:

Taking potential investors to have dinner in the homes of local counterparts is extremely valuable in giving potential investors confidence in the country. A great deal of cross-cultural insight is obtained, potential for business contacts and business ventures is enhanced and the confusions often attended to foreign travel are reduced on the part of the visiting potential investors. Holding such dinners it is valuable for the host to include other colleagues and friends from the community representing not only the business community but also the arts, the educational system, and if desired, government.

Conclusion 6:

In undertaking missions of the YPO type, it is crucial that all activities be well advanced prior to the mission. The opportunity for

confusion on the part of the YPO mission members increases if activities are scheduled after the reconnaissance phase of the program.

Conclusion 7:

It cannot be emphasized enough that potential investors of a serious type want to have meetings at the productive facilities of firms in the local country. These visits will do more to give confidence to potential than it is possible succeed in any other type of meeting that can be held or any other form of orientation.

DAY 5 - OFFICIAL VISIT TO GCEC-THE FREE TRADE ZONE

One of the most important institutions aiding Sri Lankan efforts to develop new business opportunities for the country, especially in high technology and manufacturing, is the Greater Colombo Economic Commission (GCEC) which manages the free trade zones around Colombo as well as specific new business locations around the country for individual factory or investment opportunities. In early morning a meeting was held with the Director General in his offices in downtown Colombo followed by a visit to three factories in the Free Trade Zone. The meeting with the Executive Director was extremely productive. He provided a good impression to the YPO members and clearly understood both the strengths and weaknesses of the Sri Lankan community from the investors' standpoint. He emphasized his willingness to be cooperative and helpful to serious entrepreneurs.

Because of the limited visits to actual productive facilities on the prior two days, several of the YPO members were skeptical that these would take place during the visit to the Free Trade Zone. Fortunately these visits did occur and it appeared that the Sri Lankan business promotion people had revised their views regarding the significance of this kind of activity. The three plants visited were diverse both in terms of the type of industry represented

and the type of manufacturing skills required. They also represented substantially different scales of operations.

The first facility was a large shirt and pants manufacturing firm that manufactured garments under contract to major western retailers such as Sears, Murphy's, etc. The goods were of high quality and the operation was extremely busy. Because the physical size of the plant was too small for current operations there was significant crowding and it was possible get an understanding of the working conditions that are permitted in Sri Lanka which might not be permitted in a western country. This plant was **not** the most efficient operation in the garment trade that was visited by the YPO members and, therefore, provided an informative contrast to the more efficient operation. But although the number of rejects was relatively high by western standards, **the overall profitability of the plant still was excellent.**

The second facility to be visited was a much smaller scale and more native-type industry: this facility wove coconut fiber (coir fiber) into large floor covering products. A number of very large-scale looms imported from the United States were operating and although the working staff was a mere fraction of that at the textile facility (perhaps 15 people as opposed to 1,000), **the sense of hard work and dedication to a good job was clear and common to both facilities.** This plant provided an example of the opportunities to utilize native products and the need to obtain better market penetration as an important industrial development tool for the Sri Lankan economy. The products were excellent and one member of the YPO team is working with this particular factory to expand their exports to the United States.

The third factory was a relatively high-tech facility which manufactured the metal cabinetry into which are inserted high capacity electronic and electrical switching components. The factory is owned by a **Danish** company and has

one Danish manager who has been in Sri Lanka for four years. This manager reported that the metal cabinetry for this firm is also produced in Scandanavia but that the high efficiency of the workers in Sri Lanka has resulted in the vast majority of the firm's production being shifted to Sri Lanka. Approximately 80 employees work in this factory and the European manager was extremely positive in his remarks about the quality of his workers. Every part that leaves the factory is stamped with a registry number and on the rare occasions when a blemish or other error in the production is found upon its arrival at the customer's location, a notice is put on the bulletin board in the plant. This causes considerable discussion among the employees and the section of the factory that is responsible for the mistake is given a lot a teasing and comments from the other members of the factory and are urged to improve the quality of their work. As mentioned, it is extremely rare that errors occur and it is an example of running a highly automated factory, where labor is still important, with great efficiency in the Sri Lankan business climate.

Following the tour of the three factories the GCEC staff provided a snack at the headquarters and answered questions.

DAY 6 AND DAY 7 - CULTURAL EXPLORATION OF THE SRI LANKAN ENVIRONMENT/TRIPS OUTSIDE COLOMBO

At approximately 2:00 o'clock the YPO group divided up to visit two important areas of the country and its environs in order to get a further understanding of the community and the investment potential of the country. Originally it had been anticipated that the entire group would travel to the north central portion of the county above Kandy to visit the cultural triangle consisting of the old capitals and Sigeria. Unfortunately security conditions in the country precluded going north of Kandy and this important source of insight into the cultural history of Sri Lanka was missed. Because of the abandoning of this trip, the team was divided into two groups for its two-day

cultural exploration with half going to the Maldives and the other half going to Nuwara-Eliya which is a mountainous enclave southeast of Kandy which was developed by the British in the tea country of Sri Lanka as a cool retreat to which their expatriats could visit and holiday.

The group that went to the Maldives managed to spend an extended period of time with the U. S. Ambassador to Sri Lanka, Ambassador John Reed who provided his unique and clear observations of the Sri Lankan scene in a relaxed and leisurely setting. This visit also allowed the YPO members to evaluate potential tourist investment opportunities in and around Sri Lanka even though they were not permitted to go to the prime tourist areas of Sri Lanka at Trincomalee. The group that went to Nuwara-Eliya had the opportunity to see a substantial portion of the Sri Lankan transport infrastructure as well as a wide variety of agricultural settings (which still are responsible for the predominant outputs of the Sri Lankan economy). While the travel was difficult, the accomodations in this area were delightful and helped to provide a relaxed and positive atmosphere from which to consider potential investments in Sri Lanka.

Conclusion 8

For investment missions, it is first of all valuable to have the potential investors visit the country for more than one week. This gives sufficient opportunity for some of the culture-shock attendant to international travel to subside and provides an opportunity for reflection on what has been observed during the initial days of the visit. As part of this longer investment mission, it is crucial that a time be set aside for rest and relaxation during which the broader cultural history of the country is emphasized. If teams of investors are dispatched to a potential local country, this opportunity for social interaction among the mission participants also results in valuable discussions among them

regarding their individual experiences and provides an opportunity for them to better evaluate the favorable potentials for investment in the country.

DAY 8 - WORKING SESSION IN KANDY

Kandy is the second largest city in Sri Lanka and it and its environs account for a substantial amount of Sri Lankan GNP.

The team reassembled Sunday evening in Kandy preparatory to making a major presentation to Kandy area business persons the following morning. A new hotel was the site for this stay and it provided an example of the relatively simple, although certainly adequate, facilities that exist in a developing but still relatively poor country outside its capital city.

The meeting in Kandy was attended by approximately 40 business persons representing a wide variety of business interests. Each of the individuals introduced him or herself and were encouraged to subsequently sit together at lunch according to their interests in order to meet the YPO member who represented their type of business.

Three formal presentations were made on various aspects of western style business operations which described successes that had been achieved by using those methodologies. The report of Mr. John Gill on the McCormick Company's approach to personnel practices in the United States (which are regarded as highly enlightened and positive) was particularly well received by the Sri Lankan business community. While the overall session was probably too short (given the high level of interest by the Kandy community) it served one additional important function:

- . The role of the SLBDC was identified and the need for local businesses to work with such institutions became particularly clear for businesspersons who do not have as ready access to the facilities of the capital as those located in the capital.

Conclusion 9:

It is extremely productive for missions such as the AID/YPO Program to leave the capital and go to major but subsidiary cities of developing countries to present their story and their training programs.

A letter from the SLBDC coordinator for the program, Mr. Basil Ilangakoon, summarizes the Kandy program

- "All participants commented very favorably.
- Many felt the interaction was limited because of the time constraint.
- At least a little of the high praise was a result of the fact that the Kandy audience had not been offered such exposure before."

The final portion of the time in Kandy was spent at an informal buffet luncheon where the participants divided up according to their interests and sat with the appropriate YPO Mission attendees until approximately 2:30 at which time the team checked out of the hotel and returned to Colombo to prepare for the Management Theory and Practice Workshop which began the following day.

DAY 9 AND DAY 10 - MANAGEMENT THEORY AND PRACTICE WORKSHOP

The purpose of the Management Theory and Practice Workshop was to focus on those business practices in the United States which might be most important for Sri Lankan top business persons. The goal was to have a small session of approximately 40 attendees from the Sri Lankan business community so that close interaction could take place between the Sri Lankan's and U.S. participants. As in all other formal sessions, a secondary objective was to increase understanding of the cultural factors influencing business for both United States

entrepreneurs and Sri Lankan entrepreneurs. A third underlying objective was to put people into close enough contact so that a natural spark of joint business activities might be generated. The formal agenda for the program is included as Exhibit IV.

EXHIBIT III

BACKGROUND OF A SAMPLE OF KANDY SEMINAR ATTENDEES

1. Decorative products - Export batiks
2. Garment - Retails and manufacturing
3. Handicraft Service Centers - Consultation promotion
4. Manufacture of Steel Furniture - Interested in J.V.
5. Wholesale and Retail Consumer Products - Run service station
6. Retail and Wholesale Merchants - Looking for manufacturing services - garments
7. Umbrellas (mostly domestic) - Looking for export
8. Groceries and Manufacturing Woolen Goods
9. Shoes and Optical - Retail manager
10. Restaurant and Bakery - Steel furniture
11. Peoples Bank
12. Formerly Sales - Plans to start an export oriental venture
13. Kandy Arts & Crafts - Silver and brass
14. Manufacturing Brass and Silver
15. Market Tours - Earth-moving equipment
16. Civil Engineer - Looking at manufacturing of electrical equipment
17. Spices
18. Trading and Packaging - In Colombo printing
19. Family Concerns - Welding motor parts
20. Distribution for Nestles, etc.

23

EXHIBIT III
(Continued)

21. Construction - Roads and buildings - looking for new techniques
22. Manufacturing and Sales of Noodles - Instant foods
23. Tourist Org. - Handicrafts, pharmacy production
24. Manufacturing Electrical Fittings - Outdoor lights
25. Hotels
26. Manufacturing and Trading - Whiskey and coconut products
27. University Lecturer and Consultant - In business or government
28. Cinema Operation
29. Steel Furniture Manufacture

EXHIBIT IV

AGENDA

MANAGEMENT WORKSHOP
21st and 22nd May 1985
Hotel Lanka Oberoi

21 May, 1985 - Tuesday

- 8:30 AM to 8:45 AM Opening remarks
- 8:45 AM to 9:00 AM Introduction of members of YPO
- 9:00 AM to 11:00 AM Addresses by three young presidents
1. How I started.
 2. My strategy for growth and expansion.
 3. Why I succeeded.
 4. My philosophy of management.
 5. A perception of the essential qualities of a manager (leader) in order of priority.
 6. What the future holds for us.
- 11:15 AM to 11:30 AM Tea
- 11:30 AM to 12:45 PM What the YPO see as the critical issues in management practices and in the culture of Sri Lanka that make it difficult for Americans and Canadians to do business in Sri Lanka and what makes it difficult for Sri Lanka to enter the U. S. and Canadian markets.
- 12:45 PM to 2:00 PM Lunch
- Discussion groups: "What are the most important issues in Sri Lanka that affect the growth and development of Sri Lanka private enterprise."
- Afternoon Session Practical management technology of three specific management areas in the developed countries:
- What are the newest trends in -
1. Management of human resources.
 2. Marketing and especially modern packaging as it affects sales.

EXHIBIT IV
(Continued)

3. Quality control techniques as they affect productivity and marketing success.
- 2:00 PM to 3:30 PM Specific introductory presentations -
1. Management of human resources (Mr. Edward Zolla).
 2. Marketing/packaging to expand profits and sales (Mr. John Gill).
 3. Quality control techniques for increasing productivity and sales (Mr. James Dodson).
- 3:30 PM to 3:45 PM Tea
- 3:45 PM to 5:00 PM Breakup for small group discussions. Focus on one of the specific technical areas of management.
- 22nd May, 1985 - Wednesday
- 9:00 AM to 5:15 AM Opening remarks.
- 9:15 AM to 10:30 AM Report on main points that were raised in the small group meetings of the previous day - presented by 3 Sri Lankan participants and 3 YPO participants.
- 10:30 AM to 10:45 AM Tea
- 10:45 AM to 11:15 AM Key conceptual conclusions:
1. How specifically can the developed countries and their business people contribute to the economic development of countries in the region (South Asia)?
 2. Is a more equitable and just global order possible?
 3. The U.S. view of protectionism and its dangers to the developing countries.
- 11:45 AM to 12:30 PM Free interchange between Sri Lankan and YPO participants - questions, answers, discussions.

The agenda had been established by altering the preliminary program developed during the reconnaissance phase utilizing the excellent advice of Mr. Gamini Wijeyesinghe whose input had been provided to the team upon its arrival.

Conclusion 10:

It is important to observe that there is a tremendous need for flexibility in changing the content of courses, workshops, etc. based on the insight and advice obtained gained during the early parts of a mission. This flexibility is a key ingredient for successful sessions.

The early part of the morning session was a description of the key ingredients that three of the YPO members felt contributed to their success in business in the United States. These practical descriptions of their experience included the problems and difficulties they had had as well as successes.

Conclusion 11:

The presentation of practical business experiences - both good and bad - is a very important subject to share with business persons in a developing country so that they will understand that the problems they experience are not unique but are common to all business undertakings anywhere in the world.

The later sessions in the morning focused on identifying the difficulties that Americans from the United States or Canada might encounter attempting to do business in Sri Lanka based on the cultural economic and socio-political conditions that exist in the country. This discussion was undertaken in small groups and provided an interesting opportunity to experiment with several analytical and management styles for utilizing the team approach to solving problems. In order to focus better on this subject, each group analyzed Sri Lanka's competitive position as a business center in comparison with those of

Taiwan, Singapore, Hong Kong, Thailand and Korea and scores were developed by utilizing various decision-making methods each of which was selected by the individual group.

The analysis of this primary question turned out to be more consuming than had originally been anticipated, and consequently the groups remained together at lunch to continue their discussion and analysis. Additional time was requested upon reconvening so that the groups could finalize their conclusions and a few minutes were taken to bring them to term. Each team then presented their findings through the use of a selected presenter from the Sri Lankan community and their presentations were subsequently rated Mr. Anton Balasuria and the Mission Leader. Their rating was presented on the following day and was used to point out some of the strengths and weaknesses of the various analytical and management approaches that were used by each team.

Conclusion No. 12:

It is interesting to note that both the American and the Sri Lankan participants in this exercise agreed that Sri Lanka has significant advantages in relatively important areas that affect business operations.

If the communal difficulties and potential violence were removed, Sri Lanka would probably be one of the highest ranked of all the developing countries in its ability to attract outside investment as well as to develop its own internal businesses.

The high interest in the morning question required a slight change in the schedule for the remainder of the session and consequently only two of the subject presentations were given that afternoon: the management of human resources by Mr. Ed Zolla and the marketing and packaging presentation by Mr. John Gill. Because of the extensive question and answer sessions following each of these presentations, the need to break up into small groups for

focusing on one or another of these specific areas did not occur. The following morning the third presentation by Mr. James Dodson on quality control was made. This presentations was one of the most forceful and well received of the entire mission. Its essential message was that in the world of international competition today, price has become less important than quality and that quality control is a cultural factor that must pervade an enterprise from the switchboard to the president and include everyone in between.

It has been reported from Sri Lanka that copies of the marketing and quality control presentations have been in great demand since the conclusion of the mission. It is also interesting to note in evaluating the success of this particular session that the second day of the Management Theory and Practice Workshop fell on a national holiday when most businesses were closed. In spite of this, over 90 percent of the participants in the first-day session returned for the second day.

The Management Theory and Practice Workshop concluded with a philosophical discussion regarding the relationships between developed and less developed countries and equity considerations. The Sri Lankan participants were surprised to find that these issues are of great concern to American business persons and that their attitudes are not fixed or unified. (The American business people reflected the concerns of AID to address the problems of unequal distribution of resources and wealth but to do so in a free market and competitive market which seems to offer more success than any other approach taken to date.)

The Mission Leader's personal conclusion, based on seeing sessions in three different countries as well as a multitude of other programs held in the United States was that the Management Theory and Practical Workshop was one of the most fulfilling and informative of its type.

PRESS CONFERENCE

Because of the security problems in Sri Lanka, the YPO Mission had asked that no press coverage be given to the mission until its conclusion. While this probably held down some of the attendance at some of the sessions as people were only reached through direct mail invitation, it did reassure YPO members that they were not likely to become targets for kidnapping or other violence. On Wednesday following the management and practice session a brief press meeting was held and the subsequent article is included as Exhibit V.

A FAIRWELL COCKTAIL PARTY HOSTED BY SLBDC

A fairwell cocktail party was hosted at the Oberoi Hotel by the SLBDC. At this meeting many of the participants in various sessions, staff of the SLBDC, and other AID related personnel attended. During this party, one key Sri Lankan was met for the first time by the YPO Mission. It would have been extremely valuable to have included him in the mission at an earlier date. He was highly informed about the condition Sri Lankan business and was also fully informed as to American business practices by virtue of his leading the International Retired Executive Exchange Program in Sri Lanka.

Conclusion 13:

In the future whoever is heading the Retired Executive Service Corps Program as well as the retired executives that are in country should be included in the orientation sessions with the YPO members as they have a valuable prospective to provide.

DAY 11 - EVALUATION/FEEDBACK/COMMENTS

Although the evaluation of the mission is still underway, several actions have taken place and are included below.

The evaluation efforts that have taken place to date include a session in which only the YPO members sat together and discussed various elements of both

25

EXHIBIT V
PRESS ARTICLE

Saturday 25th May, 1985

Young US businessmen makes contacts in Colombo

By Rohan Gunesekera

A seven member delegation from the US Young Presidents Organisation was in the island for two weeks early this month. Their visit was kept out of the public eye as they feared they might become targets for kidnapping.

The team comprising Presidents and Chief Executive Officers of US companies which generally record a minimum annual turnover of US\$4 million, conducted a series of joint ventures and management workshops and established individual contacts with the businessmen here.

The leader of the delegation, Jonathan Green, President of Green Internationale civil engineering and management consulting firm said, "I feel I'm a target for kidnapping anywhere in the world, including Italy, because I am an American businessman".

The possibility of being kidnapped was greater in strife torn areas, he said in an interview, when asked why they kept their tour under wraps until it was almost over.

Mr. Green, 40 whose company records an annual turnover of around US\$ 10 million, said the unresolved communal problem was "going to be expensive for Sri Lanka in terms of investment".

He said the problem was grave enough to deter investment.

"While some investors will come here, many will not", was how he put it, pointing out that there was very little investment going into the Philippines now, because of the political uncertainty there.

The YPO team, which originally had ten members, was brought down by the Sri Lanka Business Development Centre together with USAID, as part of the US government's commitment to promoting the private sector in the developing countries.

The team was briefed on the business environment here at the start of their tour by officials in state bodies including the FIAC, GCEC, EDB, NDB, and the MASL.

Several days were kept aside for individual contacts with the business sector here, but according to Mr. Green, no definite joint venture deals had been worked out, although several were being explored.

Mr. Green, who himself is exploring a possible joint venture in the construction sector, described the outcome of these tentative contacts as natural.

"I think a businessman should go three times to a country in order to get the feel of the situation there, before doing business", he said. "It is foolish to make a deal too soon".

The YPO team conducted two joint venture workshops, one in Colombo and the

other in Kandy, held a management theory and practice workshop in Colombo. They also visited the GCEC and the FTZ in Katunayake.

Green said there were four potential areas for joint ventures — rubber based manufactured products, agricultural products, electronic circuit board production and what he described as non-garment cut and sew operations (non-quota items).

He said several problem areas were identified during the workshops. The biggest problem, he said, was that the companies here were not market oriented. Quality control, he said, should be continuously upgraded and improved, in order to keep up with the competition.

He said it was often difficult to do business here because "the government sometimes had practices that make it difficult for the private sector to succeed".

And "in terms of American investment here, the communal strife, makes people afraid".

The experience had been rewarding for both sides — the business delegation and their local counterparts, as they were exposed to each others' business cultures, he said.

The YPO has more than 4,000 members world wide and has chapters in more than thirty countries.

the mission and what had been encountered in Sri Lanka; an evaluation on the first week's activities by Larry Brown of USAID which report was quoted earlier, sections of which are attached as Exhibit VI; and a postmortem which was held with the USAID representatives on Thursday, 23 May.

Prior to the conclusion of the mission five questions were asked of the YPO members and a representative sample of their responses is included below.

The five questions asked were:

1. What is your evaluation of our government's performance?
2. What are your thoughts on SLBDC?
3. Thoughts regarding the program elements for this mission?
4. What business opportunities did you find in Sri Lanka?
5. Your suggestions of places to go, what to do and where to shop is you were coming as a tourist.

U. S. Government

Comments regarding U. S. Government personnel generally were quite favorable but mixed as can be expected.

SLBDC

With regard to the performance of SLBDC, in general the conclusions reached were that SLBDC has not yet achieved the potential that was hoped for it by its founders and by USAID. **This is not surprising given the relative young age of the organization and the very complex and multi-faceted program which has been given to this organization as part of its charter.** Frances Stewart stated that she felt SLBDC did a relatively good job in setting up the kinds of meetings that she looks for. As a member of the Board of Directors of OPIC and as an individual who travels extensively to establish contacts for her business, Frances is in a good position to make comparisons. She felt that the appointments lacked some screening and felt that the SLBDC may not yet have the

resources necessary to undertake the full investment promotion function. Her feeling was that in future she may well do business with both the Economic Development Board and the SLBDC but will not rely on the SLBDC exclusively.

Other members of the team felt that the lower level people in the SLBDC are not capable and Jim Dodson felt that in general the organization was not yet well connected to the key members of the business community. The feeling was that the Business Council represented a higher level of business contacts and represented the level of individuals to which a YPO-type mission needs to be exposed. He also felt that the SLBDC was a bit one sided (too positive) in their discussion about the problems to be encountered in getting businesses with outside investments moving in Sri Lanka, but that on the other hand, the agency was not aggressive enough in getting to the top people from Sri Lanka.

John Gill felt somewhat ambivalent regarding the SLBDC. He felt that as mission members we confirmed both their worst suspicions about us as business people (mainly that we are highly aggressive and very demanding), but we may also have relieved some of their worst fears regarding their ability to deal with us.

Doing Business in Sri Lanka

With regard to doing business, Frances Stewart could well imagine doing business in Sri Lanka. However, her feeling was she would not invest now in the country. Rather she would be involved in import and export only at this stage. She felt that given the present political instability, Sri Lanka would be an alternate rather than primary source of supply for her business and she was concerned about quality control. Among assets in Sri Lanka which she felt were important are its English speaking capabilities, that the people were approachable, and that the cultural differences were not insurmountable. She also felt that she had encountered, especially among the Business Council

people, a high level of business sophisticated. She felt that the country should be cultivated from the standpoint of her business and that her opportunities were much better than in Indonesia where she had looked extensively before. Frances also felt that she had met one company she may very well do business with and felt that her exposure to the country was very positive.

With regard to the value of the mission overall, John Gill stated that the exposure to the culture was extremely valuable to him as this was his first time in Asia and he now has a much clearer understanding of the supply side of his business. This will aid him in working with his staff who are much more closely in contact with Asian source of supply than he.

With regard to the fourth question, John Gill stated that he can anticipate doing business in the country and feels that the biggest problem he will have in the spice business is meeting quality standards required by the International Spice Trade.

Ed Z.lla felt that if there were no political instability and conflict in Sri Lanka, he would be considering an initial investment of between \$100,000 and \$120,000.

Dodson and Green both plan to do business in Sri Lanka.

Stability

It was agreed by all the YPO members that stability of the country is the primary constraint for development at this time. One of the concerns was that there seemed to be very little local understanding of the reality of this problem for outside investment and very little relationship between what was told to visitors and the true nature of the situation.

The Suggestions for Future Missions/Improvements in the Current Mission Program

Ed Zolla mentioned that an emphasis should be placed on using concrete examples of company experience at all presentations. This would have improved the presentations and increased the take-home volume for the participants.

Jim Dodson indicated that the mission should be approximately 1 week instead of 12 days with the orientation and visit to the areas outside the capital starting the mission rather than coming in the middle.

Kitty Koenig suggested that there should be a longer briefing period at the beginning of the mission.

Several of the members suggested that additional support from the commercial section of the Embassy should have been sought and utilized during the mission. Dodson also indicated that the initial briefing would have benefited from being immediately followed by visits to two or three industries. He said "I must see business being done." Ed Zolla seconded this idea.

Francis Stewart commented that more insight needed to be provided on the public/private partnership issue as understanding this subject is a key to success in Sri Lanka.

Ed Zolla indicated that it would have helped to have a more detailed agenda of the specific programs. Ed also commented on the length of the mission and felt that more could have been done in a shorter period of time thus better utilizing the resources that were provided by YPO better.

Analysis and Comments by the Mission Leader

Performance of the U. S. government:

1. **The United States Government personnel performed well and as requested by YPO.** During the reconnaissance mission it was agreed that the SLBDC would take the lead in all aspects of the project as this was an important opportunity to enhance SLBDC's ability to perform some of

the functions for which AID has funded them as well as an opportunity to test the degree of development that has taken place thus far.

Sandy Shapleigh of the private enterprise portion of the AID Mission was present extensively during the mission and provided excellent support to it. As agreed beforehand, he attempted to stay in the background in order that SLBDC could perform on its own, however, when requested he played an active part as was required under the specific circumstances. The other members of the AID Mission were not directly involved in the project which appears to be unfortunate. Consequently, their understanding and appreciation of what was accomplished and what can be accomplished in this type of mission may not have developed fully. As is often the case, the Mission Leader initially sensed some hostility to the concept of using visiting businesspeople for the type of mission undertaken; but I believe that by the end of the program the AID staff felt that corporate presidents work hard to accomplish the objectives set out for them. Whether they feel that the work was effective is unclear at this time and AID comments are awaited to this report.

The criticism of not using the commercial section adequately is accurate. Although this portion of the embassy was contacted prior to the mission, no specific requests were made of them by the mission Leader. However, to the extent that help was requested from them during the mission by various members, it was received in good time and form.

A personal word about the Ambassador. **Ambassador Reed went out of his way to support the mission and was helpful in having the YPO members understand that what they were doing was helpful to U. S.**

foreign policy objectives. The Ambassador is a very able representative of the United States and is highly regarded by both Sri Lankans and Americans in Sri Lanka. He received high marks from the YPO members for both his dedication to his position and his understanding of the Sri Lankan scene. His insights regarding the culture and environment of Sri Lanka were very beneficial to the YPO members.

As indicated in the section on orientation, the U. S. governmental staff both at the embassy and at AID appeared to be exceptionally well informed about the local environment and are a dedicated crew.

2. Thoughts on the SLBDC

The various YPO members views on the SLBDC ranged from feeling that it was a young but very promising agency to a belief by one member of the team that the expenditures made by AID to develop this agency represented a financial boondoggle. The Mission Leader's views and the concensus viewpoint of the team were presented to AID in a closed session on the final Thursday of the mission. Essentially the views were that **SLBDC is young and has a lot of growing yet to do if it is to fulfill the enormously ambitious agenda that has been laid out for it.** In addition the feeling was that the agenda is a difficult one to fulfill in its four-fold capacity. In particular the dual responsibility for investment promotion and management education creates severe strains on an organization like the SLBDC. Recognizing the kinds of professionals who are available to such an agency for its staff, it is likely that the bulk of their efforts would be channelled into one of these two directions or the other. The feeling of the group was that given the strong academic background of the likely

staff of the agency, they will generally orient themselves toward management education and relegate investment promotion to a secondary status. It was recommended that some thought be given to splitting the organization in two at some time in the future, after it has matured, so that these two very different functions can be given prime attention by their respective organizations.

Based on broad exposure to similar types of organizations in many developing countries, the Mission Leader feels that the SLBDC has a highly competent and dedicated staff that were far more knowledgeable than many similar agencies in other developing countries. They are personable, hard working and very dedicated to improving the private sector's performance in their country. They operate under a variety of difficult conditions including not only the current international bad press and political instability, but also the antagonism - ranging from minor to severe - from various investment promotion agencies of the Sri Lankan government who fear SLBDC will usurp some of their turf. Given these constraints and the relative newness of the organization, they performed very well in the opinion of the Mission Leader. Nonetheless, substantial growth is required if they are to fulfill all the goals laid out for them.

3. Program Elements of the Mission

As usual, various program elements of the mission worked extremely well and others worked less well (and, as mentioned, one bombed). In general the first half of the mission was not as successfully performed as the second half. This again emphasizes the importance of a relatively lengthy mission so that the team can become properly educated and focused on the tasks at hand. For this reason

the Mission Director disagrees with feeling of Ed Zolla and others who would prefer a shorter mission. However, perhaps three days in the first week followed by a full week the second week might be a better way to stage the missions rather than starting on a Sunday. As always it was the resourcefulness flexibility and good business strengths of the YPO team that made the mission a success in view of the Mission Leader. Each of the members performed those tasks that were assigned them with skill and dedication. As has been the case in earlier missions, every moment of free time was spent pursuing possible business leads and contacts that might exist in the society. This aspect of the YPO'ers provided an educational experience for both the Sri Lankan business people and U.S. AID staff.

The program elements that should have been expanded include the session in Kandy and the Joint Venture Workshop which should have been followed by a day of very concrete work in negotiating joint venture agreements and discussing various inputs that could be obtained from an outside partner including licensing, supply materials and technology.

It would have been beneficial to meet with the management science educators and have a session with them; and as reported earlier in this evaluation, it would have been an excellent improvement in the mission to have interfaced with the Retired Executive Service Corps program.

In general, the program elements of the mission are now well practiced and the overall "balance" of the mission was good. For a short ten-day program, about as much was accomplished as could reasonably be expected.

4. List of Business Opportunities Found in Sri Lanka: Most of the members found one or more potential business opportunities that were worth following up in Sri Lanka. Several of these are currently being followed such as the building of a latex processing facility, production of vanilla and other spices, the production and export of various handicraft items, the possible manufacture or assembly of electronic components, and joint ventures in the area of highway construction. (The one joint venture that was established during the visit was in the area of highway construction. This joint venture has the potential to become a very valuable long-term association between a United States business and a Sri Lankan business as it brings the technology of a major international engineering and construction firm to a Sri Lankan private sector firm where heretofore all work of this type was performed by government entities.)