Organisational structure and the locational behaviour of small and medium scale firms in metropolitan Colombo, Sri Lanka

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ORGANISATIONAL STRUCTURE AND THE LOCATIONAL BEHAVIOUR OF SMALL AND MEDIUM SCALE FIRMS IN METROPOLITAN COLOMBO, SRI LANKA

A thesis submitted in fulfilment of the requirements for the award of the degree of

DOCTOR OF PHILOSOPHY

from

THE UNIVERSITY OF WOLLONGONG

by

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ABSTRACT

Organisational structure and the locational behaviour of small and medium scale firms in Metropolitan Colombo, Sri Lanka

This research focusses on the behaviour of small and medium scale firms in Metropolitan Colombo, Sri Lanka. It argues that the more recent emphasis on organisational structure offers an appropriate conceptual and methodological frame for studying the locational behaviour of small manufacturing firms in Sri Lanka.

In firms in developing countries family ownership, small size, labour intensive technologies and lack of organisation are main characteristics of small and medium scale industries. However, it has been recognised that there exist fundamental structural differences among the firms in this sector in Sri Lanka. Small and medium scale industrial sector consisting of so-called registered and unregistered firms, different structural features reflect differences in size, capital investment, ownership pattern, family participation, raw material utilisation, export orientation and the relationships with government organisations. These structural differences go some considerable way towards explaining the behaviour of small and medium scale manufacturing firms in
Colombo, and the general hypothesis is that the nature of the interactions of small enterprises depend upon their internal organisational structure.

The study focussed on three types of industries (textile, rubber and metal) in identifying the organisational structure of firms and in analysing the relationships between organisational structure and functional linkages, attitudes of entrepreneurs, patterns and degree of locational adjustments and the different responses of small firms to change in government policy. The study uses a sample of 136 firms and data and information were based on a questionnaire survey and extensive fieldwork in Sri Lanka, conducted during the period from January to July, 1984.

Principal components analysis has been used to define the structure of firms and to identify the significant characteristics of industries. The extent to which the organisational structure of firms is reflected in their behaviour was investigated by means of correlation and stepwise multiple regression analyses. The study also recognises the importance of government policies which are important in terms of spatial pattern and structure of small and medium scale industries in Colombo and the way in which industries have perceived these policies and responded to them.
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ABBREVIATIONS

BTT  Business Turnover Tax
CISIR  Ceylon Institute of Scientific and Industrial Research
CMPP  Colombo Master Plan Project
DCS  Department of Census and Statistics
DDC  Divisional Development Council
DFC  Development Finance Corporation
DFCC  Development Finance Credit Corporation
DRS  Duty Rebate Scheme
ECIS  Export Credit Insurance Corporation
EDB  Export Development Board
EEGS  Export Expansion Grant Scheme
EPZ  Export Promotion Zone
FEECS  Foreign Exchange Entitlement Certificate Scheme
FIAC  Foreign Investment Advisory Committee
GCEC  Greater Colombo Economic Commission
GNP  Gross National Product
IDB  Industrial Development Board of Sri Lanka
ILO  International Labour Organisation
IMF  International Monetary Fund
IPZ  Investment Processing Zone
ISIC  International Standard Industrial Classification
NDB  National Development Bank of Sri Lanka
NIBM  National Institute of Business Management
OGLS  Open General License System
SLECIC  Sri Lanka Export Credit Insurance Corporation
UDA  Urban Development Authority
UNCTAD  United Nations Conference on Trade and Development
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