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

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