



IMSL News

First e-newsletter of the Institute of Management of Sri Lanka

e-Newsletter Issue 1, July 2008

www.imsl.lk

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Message from the President

The idea of an e-newsletter first came into light during the 30th AGM of the Institute. Today, we are delighted to witness the 1st issue of "IMSL News" the Institute's first electronic newsletter. Our sincere thanks to the Editor, Manu Tissera, for her indefatigable spirit and commitment.

In keeping in line with the Institute's mission, the newsletter intends to provide a forum for sharing knowledge and best practices among the IMSL membership, while nourishing linkages and networking among the individual and corporate members.

The newsletter will keep the membership updated on IMSL news, current trends in management and leadership as well as contemporary research and studies in management.

It is my sincere wish that this will be a stepping stone towards realizing our goal to become the voice of management in Sri Lanka.

I wish this initiative all success.

Anver Dole
President / IMSL
July 2008

Recent Events

30th Annual General Meeting, 2008 OPA Auditorium, Colombo, 27 May, 2008

The 30th Annual General Meeting of the IMSL was held on the 27 May, 2008 at the Organization of Professional Association (OPA) Auditorium in Colombo.



The official event was followed by Cocktails and a Buffet Dinner. Members of IMSL, a number of passed finalists of the IMSL professional study courses and IMSL competency enhancement programmes as well as a few well wishers were among those present.

IMSL is the national apex body in the field of management in Sri Lanka, incorporated by an Act of Parliament, No: 67 of 1988

Member of the Asian Association of Management Organizations

Inaugural Address by the President at the 30th AGM, 28 May, 2008

Immediate past President Colonel Faiz, Emeritus President Mr Mansoor Ghouse, past President Mrs Rohini Nanayakkara, members of the Council, fellow-members of the IMSL, at the very outset may I express my sincere thanks for the confidence reposed in me by unanimously electing me as the new President at the 30th AGM of the IMSL. May I re-assure every one of you that I will do my utmost to steer the IMSL to greater heights in the year ahead.

I will be failing in my duty if I do not place on record the dedicated service rendered by the outgoing president Colonel Faiz & the outgoing secretary Nujith. Nujith was always available at any time of the day or night. He worked willingly for the betterment of the IMSL. IPP Faiz was always a tower of strength and made a special effort to attend all board meetings of the Asian Association of Management Organizations (AAMO). He quickly moved-in to re-imburse costs by way of sponsorship, whenever the IMSL encountered financial problems. This was specially so with the Management Quiz Game conducted in collaboration with the All India Management Association (AIMA).

A warm welcome to the new Secretary, Malraj Kiriella and the new Asst. Secretary, Manu Tissera - Gunasekara. I am confident that our Institute will benefit tremendously by their experience and expertise.

Friends, the precursor to the IMSL, the Sri Lanka Management Association was launched by that legendary leader, the late Mallory Wijesinghe, thirty years ago. Unfortunately the IMSL has not risen to its full potential. We need to re-vamp our activities and rejuvenate the IMSL. Our Secretariat itself needs a facelift. We need to market the IMSL and attract the corporate sector to our fold.

We need to focus on a concerted membership drive. We need to offer more benefits to our members. The time has come for change. Fresh ideas and fresh thinking must permeate the fabric of the IMSL.

Our biennial National Management Conference (NMC), which I had the privilege of chairing on the last two occasions, continues to be the major fund – raiser of the IMSL. We need to generate more income by launching new programmes. Commencement of the Management Diploma course, eventually leading to a degree, is of paramount importance. To make these a reality we need the fullest support and commitment of the entire Council of Management.

By the end of this year, hopefully, we will be upgraded from the current Associate status to a fully fledged Member of AAMO. As the only recognized national Management body from Sri Lanka, the AAMO recognition will do much to boost our stature and image.

Friends, we live in difficult times. The current scenario is bleak and dismal. Our economy is in shambles. Inflation is approaching a staggering 30 per cent. Bribery and corruption is rampant. Good governance is conspicuous by its absence.

We therefore have a major role to play. Let us strive to be the management voice of the corporate sector.

Once again, thank you very much for electing me as your new President. I will do my very best to meet & exceed your expectations.

T. Anver Dole

President/ IMSL

May, 2008

National Management Conference 2007 **Hotel Galadari, Colombo, 17 October, 2007**

The 11th National Management Conference (NMC), of the IMSL was held on the 17 October, 2007 at Hotel Galadari, Colombo.

NMC, one of the most important events of the IMSL calendar, is a biennial event, designed to impart knowledge on diverse management issues. The conference draws management staff of various disciplines, enables participants to keenly indulge in discourse, network & share issues of mutual importance.

The theme of the NMC 2007 was “*Good Governance and Corporate Responsibility.*” An eminent panel of management professionals and academics made the key presentations. The event was attended by a large number of management specialists, academics from various disciplines, as well as graduate students from the management faculties of leading Universities.

Address by the Chief Guest, NMC 2007



H.E. Dominick Chilcott

*Former British High
Commissioner in Sri Lanka*

Colonel Faiz-ur Rahman, President of the Institute of Management of Sri Lanka, Mr Anver Dole, Chairman of the National Management Conference, other distinguished guests, ladies and gentlemen.

It is a great honour to be invited to make the keynote address at today's conference and I thank Colonel Rahman and Mr Dole for giving me this opportunity.

The theme of good governance and corporate responsibility presents a classic trap for a diplomat. It would be only too easy to sound worthy and dull about good governance, in theory, since only the most open despots or the incurably counter-suggestive would be likely to speak against it. But if boring you all with clichés is one risk to avoid, another is to make my remarks so specific about Sri Lanka that I get myself into hot water.

I intend to concentrate my remarks on the first part of your conference title – good governance – and will have some recommendations for the government. You will have to tell me at the end whether I have managed to walk along this high wire without falling off on one into dullness or the other into controversy.

I gather, however, that this conference is no stranger to controversy. Was it not at the 1988 National Management Conference that the then president, JR Jayawardene, accused the then leader of the opposition, Anura Bandaranaike, of arson? I think it was and I think Anura Bandaranaike sued the president for defamation of character. Well I hope no-one tries to sue me after this speech. If they do, I may have to rely on immunity from prosecution as my defence, just like President Jayawardene did in 1988. And pleading immunity would be an act of shameless hypocrisy in light of what I am about to say about good governance.

Ladies and gentlemen, A lot of words have been written about what good governance is. Boiled down to its essentials, it concerns the relationship between the agencies of the state and the citizens. It is about how state institutions

use their power and authority. For the British government, we tend to lump together human rights, democracy and good governance. They are all part of the same ball of wax.

Good governance matters a great deal, of course. It matters in all countries but it matters particularly in countries where resources are scarce, in developing countries. Where there is good governance, even scarce resources are more likely to be well managed to ensure that the maximum benefit is derived from them. Where there is bad governance, even abundant resources are likely to be misused, often causing lasting damage.

In the 1980s and 1990s, the first years after its independence, Zimbabwe used to be the breadbasket of southern Africa, producing a surplus of food that it exported to its less fortunate neighbours. In 1980, the average annual income in Zimbabwe was \$950, and a Zimbabwean dollar was worth more than an American one. By 2003, the average income was less than US\$400, and the Zimbabwean economy was in free-fall. Nowadays, Zimbabwe suffers from hyper-inflation in four figures, 80% unemployment and widespread malnutrition.

How do you change a country from being a regional breadbasket to becoming a global basket case in a few short years? The answer is bad governance. The collapse in standards of living in Zimbabwe is almost entirely due to its government's policies.

Zimbabwe is an extreme case. I am not suggesting that Sri Lanka is anything like Zimbabwe. But it is a cautionary tale that we all would do well to heed. We may feel relatively prosperous today. But we should not take our prosperity for granted. We need systems in place, in whichever country we live, that reinforce good governance and prevent our leaders, whoever they may be, from taking catastrophically wrong decisions.

Ladies and gentlemen, On a subject as full as controversy as good governance, it is handy to be able to refer to some objective research. The World Bank conducts surveys on the standards of governance in over 200 countries. It measures governance under six indicators: voice and accountability, political stability and the absence of violence, government effectiveness, regulatory quality, the rule of law and control of corruption.

Naturally I have looked up the findings for Sri Lanka. They have been surveys conducted in 1998, 2002 and 2006. According to the World Bank 2006 list, Sri Lanka ranks just above the half-way mark for regulatory quality and the rule of law. For Government effectiveness and control of corruption this country features – just - in the bottom 100 countries. The ranking for voice and accountability is a bit worse, while, as you might expect, for political stability and the absence of violence Sri Lanka is ranked amongst the worse 10% of countries in the world.

Perhaps more interesting than the ranking, which compares the situation in Sri Lanka to that in other countries, is the trend in the marks since 1998. In all six categories, the marks in the 2006 survey are worse than in the 1998 and 2002 surveys.

Another organisation that measures one important aspect of good governance is Transparency International, which describes itself as the global coalition against corruption. Transparency International produces something called the Perceptions of Corruption Index, which does what it says on the tin, it compares perceptions of corruption in countries around the world.

I have had a look at where Sri Lanka ranks on this survey over the years. Sri Lanka first appears in 2002 and has been surveyed six times between then and 2007. The trend recorded in these tables is of a small but significant deterioration in Sri Lanka's relative standing, compared to other countries. This negative trend is similar to the findings in the World Bank survey. For example, in 2004, Sri Lanka was ranked 67th out of 146 countries surveyed for perceived corruption, in other words just inside the best performing 50%. This year's survey ranks Sri Lanka 94th of 179 countries, just below the top 50%.

Let's look next at a different, relatively new survey with the dramatic name, the failed state index. It surveyed 177 countries in 2007 so it doesn't limit itself to failed states. Quite a few very accomplished and successful states feature in the index. The failed state index is produced by an NGO based in the United States called "The Fund for Peace". Its 2005 survey did not include Sri Lanka amongst the 60 odd countries measured by the index. But Sri Lanka featured in the 2006 and 2007 surveys when the number of countries covered rose dramatically to 146 and 177. Again, the same slow deterioration relative to other countries, which the World Bank and Transparency International recorded, is visible. In 2006, the country ranked in the bottom 17% of the failed state index. The following year, Sri Lanka had slipped to the bottom 15%.

What these three surveys and no doubt others are telling us is that, as far as standards of good governance are concerned, the situation in Sri Lanka does not, in relative terms, place the country amongst the worst in the world. But the situation is slowly deteriorating when Sri Lanka is compared to other countries.

It is possible that the survey evidence is simply wrong. Or that it is politically motivated and designed to embarrass the government of Sri Lanka. But it seems improbable that this should be the case for all three organisations, particularly when they are transparent about

their methods and generally held in high regard by international organisations and countries around the world. The more likely explanation of these surveys is that governance has been getting a bit worse in recent years. If that is so, what should the government do to reverse the trend and put things right?

Well the first thing to do is to acknowledge that there is a problem. It will be much harder to put things right if the government does not think there is anything that needs fixing. It can be very difficult, within government, to look at the performance of the state and its agencies dispassionately. This would not be the only country in the world to dismiss the findings of the surveys that I have mentioned. But for the sake of argument, let us assume that the government accepts, to some degree, the survey findings. The next step is that it has to take the view that it is worth the trouble fixing the problem.

I think it is very much in the government's interests to remedy the negative trend on good governance, recorded in the surveys. You don't need only to turn to the tragic example of Zimbabwe. There is a lot of evidence that shows the link between good governance and development.

Daniel Kaufman is the director of global governance at the World Bank Institute. He is the man responsible for the first survey I quoted. He says that one of the findings his work and that of others has revealed is what he calls the 'development dividend' of good governance. He has been bold enough to put a figure on it. He reckons the development dividend is, on average, worth about 300 percent. In other words, a country that has today \$2,000 per capita income per year can attain \$6,000 per capita income per year in the long term if it improves its rule of law, controls corruption and increases government effectiveness.

According to Kaufman, this improvement is not due primarily to international investment, although that is one of the factors. The development dividend works much more through the better allocation of domestic investment, particularly through much better use of the public resources at the disposal of the state, and a much better use of people's skills, education and training.

So here's an incentive for any government in a democracy. Good governance increases development and makes it more likely the people will re-elect you. Let's assume that the government here recognises there is a problem and is convinced that it is in its own interests to remedy it. What steps might it take? One issue that immediately comes to mind is implementing the 17th amendment. As you will recall, the 17th amendment was passed by Parliament in September 2001, mainly at the initiative of the People's Alliance and the JVP. Its aim is to depoliticise key public institutions by creating independent commissions to administer the Police, Judiciary, Public Service and Elections. Despite its limitations, the law was widely hailed

at the time as a move towards a corrupt-free, merit-based system of public administration.

The present situation, where the 17th amendment is not in force, is definitely a hindrance to good governance. It immediately raises the question of whether appointments to key public institutions are being made on merit or for political reasons. The most qualified man or woman for the job may be being passed over in favour of someone who is politically close to the government.

If this is the case, the quality of decision making by the body concerned is almost bound to suffer. Firstly, someone appointed for political reasons rather than because of their expertise presumably is less able to do the demanding job as well. Secondly, someone appointed by the government is less likely to stand up and tell the government when it is doing something wrong or foolish, should they recognise that. And thirdly, public confidence in the objectivity of the institutions concerned is bound to suffer when appointments are made under a system of political patronage, rather than selection on merit by an independent body.

And this is the key point. Good governance works because it produces better policies which translate into more development for the country. Bad governance, even if it is limited to the non-functioning of constitutional checks and balances, inevitably leads to less good policies and less development. You might argue that the police, the judiciary, the public service and elections have not got much to do with economic development. But I don't think it's an argument that you would win. There is a clear connection between the rule of law and good governance. And the rule of law is damaged by a politicised police and judiciary.

Business people who are considering investing in their operations need to know that their hard work and money will make a difference and that they won't be subject to arbitrary pressures. Or if they are, that they can get redress. The easier the environment is for businesses – small, medium and large – the more jobs and wealth will be created. And a great part of generating a business friendly environment is to have predictability, based on the rule of law.

While we are on the rule of law, I note that one of Louise Arbour's observations about the present situation in Sri Lanka, made after her visit last week as the UN High Commissioner for Human Rights, was that, in the context of the armed conflict and the emergency measures taken against terrorism, the weakness of the rule of law and the prevalence of impunity was alarming. Impunity thrives where the police and justice system fail to arrest and punish wrong-doers according to the law. It is particularly important that those working for the agencies and institutions of the state, who commit serious offences, particularly human rights violations,

should be seen not to be above the law. Sri Lanka needs to develop a better system of holding to account those who misuse their offices to commit offences. It would go a long way to remove the climate of impunity that alarmed Madame Arbour to see such offenders being arrested, tried and convicted. Another area where good governance is badly needed is in addressing the national problem. I don't think it is too controversial to say, that although the impulse for the moves may have come from a desire to compensate for the colonial period, the proximate cause after independence of the country's ethnic conflict was the state's progressive alienation of the Tamil minority.

One of the cornerstones of good governance is inclusivity. A society's well-being depends on ensuring that all its members feel that they have a stake in it and do not feel excluded from the mainstream of society or, worse, feel that their way of life is called into question by the dominance of the majority.

Here the connection between good governance and human rights is pretty clear. A peaceful settlement will require the different groups in Sri Lanka's society to negotiate and reach new arrangements for the sharing of power and the allocation of resources. The work being done, under Professor Vitharana's chairmanship in the APRC, is thus very important from a good governance point of view.

It's not rocket science. It should not be difficult to show the minorities that they will be better governed and that their human rights will be better respected, under a democratic system, within a re-united Sri Lanka, than living under the military dictatorship of the LTTE. A fair society is after all what the vast majority of Sri Lankans want. It would be good to hear soon how the government envisages creating the conditions in which all Sri Lankans, regardless of ethnicity, mother-tongue and religion, can feel equally valid citizens of this country and equally in control of their own destinies.

So there we have it - three suggestions for improving standards of good governance. Implement the 17th amendment; arrest, try and convict those who carry out human rights violations regardless of whether they work for the state's agencies or not; and develop a vision for power-sharing in Sri Lanka that wins back the confidence and loyalty of the minorities to the state. And the beauty of such steps is that, although they may feel difficult or involve a degree of short term cost, there is every reason to believe that over the medium and long term such moves to promote good governance will pay handsome dividends – stronger economic development, better protected human rights for all Sri Lankans and progress towards creating the conditions in which a solution to the country's conflict can be found.

Thank you very much.

Council of Management 2008/09

Members' Forum

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Mr. Anver Dole, FIM (SL)
Executive Director, Austin Gloves (Cey) Ltd.

Immediate Past President

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University of Peradeniya

President, in his inaugural address at the 30th AGM of the IMSL announced an initiative to produce an e-newsletter as an important element of the Institute's overall public relation and media strategy.

This is its first infant issue.

The newsletter is meant to be a medium of disseminating activities of the IMSL, while serving as a platform for knowledge sharing and networking among its members.

We at the editorial board, look forward for your constructive feedback, criticism, and suggestions to improve the quality and presentation of this newsletter.

Also, we'd like you to contribute to this monthly bulletin, may be with a business success story, crisis management, or challenge which you might like to share with your fellow members. Write to us.

Finally, spread the word about the privilege of being an IMSL member to all those non-members outside.

We will be back with our second issue with more insights into the NMC 2007 & much more!

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This is your forum. Be a part of it.

In Focus

The Global Ranking of Business Thinkers

Who is the world's most influential living management thinker?

That was the simple question that inspired the original Thinkers 50 in 2001. The result was the first ever global ranking of business gurus. The all-new Thinkers 50 2007 (www.thinkers50.com) is the most comprehensive and fascinating ranking yet.

Produced by Suntop Media, in association with [Skillsoft](#), it is the definitive bi-annual guide to which thinkers and ideas are in – and which are past their corporate sell by date.

So what do the 2007 rankings show? Who are the most influential management thinkers in an increasingly global business world? And who, among them, is the number one?

Who's at the Top of the Pyramid ?

The most influential living management guru in the world is **CK Prahalad**. Prahalad is the first Indian-born thinker to claim the title.

Best known for his work with Gary Hamel (ranked 5th) on resource-based strategy, which gave rise to the term core competences, more recently, Prahalad has turned his attention to the plight of the world's poor. In *The Bottom of the Pyramid*, his 2004 book, he argues that capitalism can be the engine to eradicate poverty.

Third place goes to former head of the Federal Reserve, **Alan Greenspan**, whose book "The Age of Turbulence" strikes a chord with businesspeople around the world. The high priest of turbulence lurches up 32 places.

Pearly Gates

In second place is another man who wants to change the world — Microsoft founder Bill Gates. Once vilified by IT purists, Gates' stature as a technology pioneer is enhanced by his philanthropic work. The billions of dollars he has invested to help eradicate malaria and promote education have enabled him to retain the number 2 slot he claimed in 2005

Meanwhile, **Michael Porter**, who topped the list in 2005, and is best known for his work on competitive positioning, sees his own competitive advantage eroded as he tumbles to fourth.