A study of the possible impact of structural and operational issues on the performance of public enterprises in Sri Lanka

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A dissertation submitted to the Faculty of Business and Law in partial fulfillment of the requirement of the degree of Doctor of Business Administration
Declaration
I hereby certify that the work embodied in this Dissertation Project is the result of original research and has not been submitted for a higher degree to any other university or institution.

Kombala Withana Arachchige Udayasri Kariyawasam
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Finally, I take the opportunity to thank my family for sacrificing many things during the past few years and encouraging me to complete this dissertation. I am especially indebted to my loving mother who always wanted me to do a doctoral degree, but unfortunately passed away before I could realize her dream.
Dedication
To my late mother and father who were always delighted with and very proud of my achievements.
**Acronyms**

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<tr>
<th>Acronym</th>
<th>Description</th>
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<tr>
<td>ADB</td>
<td>Asian Development Bank</td>
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<tr>
<td>ADS</td>
<td>Accountability Deficiency Syndrome</td>
</tr>
<tr>
<td>AG</td>
<td>Auditor General</td>
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<tr>
<td>ASOSAI</td>
<td>Asian Organization of Supreme Audit Institutions</td>
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<tr>
<td>CAR</td>
<td>Current Asset Ratio</td>
</tr>
<tr>
<td>CBSL</td>
<td>Central Bank of Sri Lanka</td>
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<tr>
<td>CEO</td>
<td>Chief Executive Officer</td>
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<tr>
<td>COPA</td>
<td>Committee on Public Accounts</td>
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<td>COPE</td>
<td>Committee on Public Enterprises in Sri Lanka</td>
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<tr>
<td>CPD</td>
<td>Continuing Professional Development</td>
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<tr>
<td>EO</td>
<td>Exploratory Outcome</td>
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<td>GDP</td>
<td>Gross Domestic Product</td>
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<td>HR</td>
<td>Human Resource</td>
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<tr>
<td>ICASL</td>
<td>Institute of Chartered Accountants of Sri Lanka</td>
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<tr>
<td>ICTA</td>
<td>Information Communication Technology Agency</td>
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<tr>
<td>IFAC</td>
<td>International Federation of Accountants</td>
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<tr>
<td>IMF</td>
<td>International Monetary Fund</td>
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<td>INTOSAI</td>
<td>International Organization of Supreme Audit Institutions</td>
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<td>IPS</td>
<td>Institute of Policy Studies</td>
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<td>JCPAA</td>
<td>Joint Committee of Public Accounts and Audit</td>
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<tr>
<td>KPI</td>
<td>Key Performance Indicator</td>
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<tr>
<td>MUL</td>
<td>Maruti Udhyog Limited</td>
</tr>
<tr>
<td>NA</td>
<td>Not Applicable</td>
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<tr>
<td>NP</td>
<td>Not Published</td>
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<tr>
<td>NPBT</td>
<td>Net Profit Before Tax</td>
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<td>Abbreviation</td>
<td>Full Form</td>
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<tr>
<td>OECD</td>
<td>Organization for Economic Cooperation and Development</td>
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<td>PAYE</td>
<td>Pay As You Earn</td>
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<td>PE</td>
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<td>Department of Public Enterprises</td>
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<td>Public Enterprises Reform Commission</td>
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<td>Public- and Private-sector Partnership</td>
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<td>QDA</td>
<td>Qualitative Data Analysis</td>
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<td>Return on Capital Employed</td>
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<td>United National Party</td>
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<td>United States of America</td>
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<td>VRS</td>
<td>Voluntary Retirement Scheme</td>
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Abstract

Though Public Enterprises (PEs) in Sri Lanka make a very high contribution to the national economy, their performances have not improved despite many past reform efforts. Since the present government does not consider privatization for improving their performance, there is an urgent need to find effective ways to improve their performance. Since no previous research appears to have investigated performance issues affecting them, the focus of this exploratory research was to study the possible impact of structural and operational issues on the performance of PEs in Sri Lanka, limited to state corporations and statutory boards. It aimed to identify performance-related structural and operational issues associated with: External factors (political, regulatory, policy etc.), Board-level issues (appointments, competence, accountability, leadership etc.), and Managerial issues (planning, autonomy, competency, transparency, procedures etc.).

Secondary data on non-financial performance issues were collected from reports published by the three regulatory and oversight organizations that report on the performance of PEs, while financial performance issues were collected from the Annual Reports of a stratified sample of eight PEs that represented all eight categories of PEs in Sri Lanka. Primary data were collected using in-depth unstructured interviews of a representative selection of 20 knowledgeable participants from the same stratified sample of eight PEs, all three regulatory/oversight organizations, and a relevant trade union.

Collected secondary and primary data were coded and analysed using qualitative content analysis to: yield 11 exploratory outcomes related to the performance issues affecting PEs in Sri Lanka, identify five areas for future research, and propose a basic diagnostic benchmark that could identify and quantify accountability deficiencies in public enterprises.

Since PEs are funded by public money, the insights gained through this study may be used for improving their performance to minimise the burden on the Treasury, and contributing to the national economy and the development of Sri Lanka.