A CULTURAL POLITICAL ECONOMY OF BUSINESS STRATEGY IN A DEVELOPING COUNTRY CONTEXT - THE CASE OF THE SRI LANKAN TEA INDUSTRY

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Abstract

This paper contributes to the development of a critical understanding of business strategy of the Sri Lankan tea industry within broader socio-cultural politico-economy perspective. The broader insight coming from this thesis will enhance the understanding of the stakeholders of the industry particularly the plantation managers, policy makers, and funding and training agencies to develop more realistic and context sensitive business strategies and management practices for the development of industry.

Tea is the major agricultural crop in Sri Lanka which contributes 2.4 percent of the GDP, and about 20 percent of the total employment of the country. The industry has been the major contributor to the infrastructural development of the interior parts of the country. However, over the past 25 years, since the nationalisation of private estates by the government in the early 1970s, the sector has underperformed, causing a loss of scarce resources. Sri Lanka’s share of the world’s tea exports fell from 40 percent in 1970 to 16 percent in 2003. The industry also suffers with low productivity which is almost 50 percent lower than the major competitors and the high cost of production which is about 25 percent higher than them, especially the tea plantations. In 1992/93, privatization of tea plantations and restructuring of the tea industry began to improve the industry by focusing the Western/Northern business perspective. Since then, there is no significant change in performance in the tea plantations. Hence, there is a great need to research the existing strategy process within its wider social and political contexts.

The Sri Lankan tea plantation sector rests on the fact that in its historical context and the present set of issues. It is a rich and peculiar case study capable of shedding some light on the ongoing debates in methodology, theory, and their practice in the arena of strategic management. The Western/Northern business strategy is conventionally developed and practiced within organizational process. Strategy ideology and managerialist perspective promise to bring success through improving competitiveness of such organizations or industries. Therefore, it is significant to assess the validity of applicability of this perspective for the tea industry in Sri Lanka.

The Sri Lankan tea industry, particularly tea plantations decision makers especially managers, researchers, policy makers, and consultants have been

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predominantly depending upon the Western/Northern business strategy ideology and managerialist approaches over the last two decades especially after the privatization of tea plantations. It is evident that the Sri Lankan tea industry, particularly tea plantations are underperforming on almost all conventional economic indicators. Therefore, the main puzzle of this thesis is to critically examine the applicability of the Western/Northern business strategy ideology and approaches to the Sri Lankan tea industry, particularly tea plantation companies. This thesis therefore provides a critical analysis of the Western/Northern business strategy ideology and mainstream perspectives, which are dominant in decision-making process in Sri Lanka.

The overall purpose of the study is to understand the origin of the mainstream strategy ideology and managerialist perspective developed in the West. This thesis therefore examines inherited problems with lack of critical reflexivity of the Western/Northern strategy perspective which limit its applicability in understanding the Sri Lankan tea industry context where broader and direct socio-cultural and political interactions and power relations are important component of the business strategy decision-making process.

An argument against this managerialist/technocratic orientation of strategy is that it is mainly based on economic rationality, and has a tendency to quickly move towards prescriptions. This thesis places more insightful critique on the social and political effects of business strategy of the Sri Lankan tea industry especially the Sri Lankan tea plantations.

This paper therefore aimed to explore the contextual appropriateness of the Western/Northern business strategy ideology in order to understand the peculiarity, and strategic issues and factors of the Sri Lankan tea industry. The paper consisted of two major sources. First, desktop research was employed with some empirical work to update previous research issues and findings, and examined contextual irrationality of the Western/Northern rationalistic approaches to strategy. Secondly, the cultural political economic realities of the power relations in strategy process of the industry, particularly the tea plantations were explored through grounded fieldwork approach.

Limited applicability of the Western/Northern strategy approaches and the power relations of the strategy process were explored through the actors’ perspectives. An interpretation was given within the broader socio-cultural and politico-economic context. Therefore, knowledge-epistemology of this thesis developed through qualitative methodology on a subjective ontology to explore the reality of human activity system in its social and political contexts.

An ethno-methodology-based holistic case study approach was employed to capture the grounded perspectives of the people interacted with the tea industry. Extensive fieldwork generated rich accounts about the two tea sectors, tea plantations and tea smallholdings. Mainly fieldwork qualitative data was analyzed using an iterative process that allowed themes to emerge in relation to the socio-cultural and politico-economic structures and realities. Therefore, analyses provide an insight into the subjective nature of the Western/Northern functionalist
rational strategy ideology and power relations of the few actors in the strategy process, which extended beyond the industry boarder.

Critical strategic issues and factors were found as the emerging themes of the Sri Lankan tea industry. These main themes were: culture and politics in production; resurrection of a modern peasant production; panic in marketing; and global inequality. The critical strategic issues and factors revealed on the tea industry particularly the tea plantations are well beyond the neo-classical and industrial economics perspective in which the Western/Northern managerialist business strategy perspective is rooted. It is apparent that tea industry actors are deeply embedded in and are profoundly influenced by their socio-cultural, political and historical institutional practices inherent to the industry rather than working for change and development of the industry.

The study found that the power relations in the industry in strategy processes lie within ethno-politics, trade unionism, elitism, patriarchal labour and family structures and religious value systems. This is, especially the case in the tea plantations. Therefore, it is suggested that understanding the power relations in strategy decision-making processes within a wider social and political context, will allow managers to make better decisions. To attempt implementation, managers require a sense of ‘reality’ which is based on the effects of ‘forgetting, neglecting or denying the subjectivity’ which is the condition necessary to render the strategy frameworks and strategies possible.

This paper suggests that managerialist approaches hold some promise but quickly move toward prescriptive managerialism. Western based strategy promotes instrumental rationality, reproduces hierarchical relations of power, and systematically privileges the interests and viewpoints of particular groups. So, thesis proposes a critical perspective-cultural political economy approach to understand such a context before rush for prescriptive strategies.

In this study it has been found that strategy can only be studied effectively, and recommendations for improvement made, if there is a good understanding of the socio-cultural dynamics of the society. The indigenous caste system, British-derived education and class systems, current labour dominance of an idiosyncratic political landscape, and land ownership issues stemming back to pre-colonial times, are some of the factors flavouring business activities in Sri Lanka in the 21st century.

This paper suggests that the Sri Lankan tea plantations and industry decision makers should understand the contextual reality with its own lenses which the tea industry interacts with wider historical, socio-cultural and political phenomenon. Imitating managerialist or functionalist perspective of the Western/Northern strategy ideology has proven that it could not offer significant improvement for the industry. Because the Sri Lankan tea industry, especially tea plantations which consumes 60 percent of total tea area cultivated and have most organized infrastructure and management compared to the smallholding sector, should understand power relations and related political and social
stratification in decision-making process to develop and implement context sensitive strategies successfully for industry improvement.

In this study, it argues that strategic ideology and predominant prescriptive managerialism are inappropriate and inadequate in addressing the issues pertaining to the Sri Lankan tea plantation and the industry. Therefore, strategy can be viewed as set of practices and discourses which promotes instrumental rationality, reproduces hierarchical relations of power, and systematically privileges the interests and viewpoints of particular groups. It is argued that in the majority of cases of this study, the strategy processes based on the Western/Northern business strategy ideology and managerialist methodologies have not taken into account the unique socio-cultural, historical, and political interactions within organization processes in Sri Lanka as an underdeveloped economy.

Finally, study suggests that true grassroots approaches to strategy such as labour empowerment, can segregate the asymmetrical power relations of the industry and tap the creative energy of workers while uprising insurgent strategies to enhance the industry performance.

Introduction

The purpose of this paper is to link theory and empirical evidence to create a critical synthesis. Twinning theory and empirics provides a greater insight and understanding of the context of this thesis. This paper synthesises the issues and strategic factors of the tea plantations and the broader tea industry that are unique to Sri Lanka, and different from the contexts in which Western/Northern business strategy ideology has been developed. Therefore, this paper provides critical interpretation of managerialist perspective on business strategy so as to understand the role of power relations in strategy process in the Sri Lankan tea industry, especially the tea plantations. This will give clear insight into the reason why plantation companies merely apply and make use of Western/Northern managerialist perspective at only a nominal level to make up their business strategies and plans. This paper therefore addresses research question: How adequate are current business strategies used in the tea plantations and the industry?; and research question: How can the business strategy perspective used by the Sri Lankan tea industry be improved?

The Western/Northern business ideology, mainstream strategy theories and models and previous research have been critically examined (see Wickramasinghe 2004 for research methodology and genealogy of the tea plantations in Sri Lanka) in order to unmask the inadequacy of the mainstream processual–managerial approach to the strategy process. Therefore this paper advances the discussion. Therefore, paper consists of five main sections: In/adequacy of Western/Northern managerialist strategy perspectives; Power struggle and relations in strategy process; Contextual reality: Beyond Western/Northern economic rationality – A critical interpretation of strategic
In/ Adequacy of Western/Northern Managerialist Strategy Perspectives

It is clear that the tea industry, especially the tea plantations in Sri Lanka predominantly employ a managerialist approach (see Wickramasinghe 2004), which provides instrumental rationality to help managers to improve organizational effectiveness and profitability (Levy 2001). In reality, business strategy/strategic management is an organizational process, one which has significant political ramifications within organizations and in the broader society. Some of the work in the processual school of strategy, for example, Mintzberg (1990) could be loosely described as ‘critical’, in the sense that it problematises established classical and rational perspectives. However, writings in this tradition quickly move from revealing the irrationality of strategy as practiced to recommending improvements. The processual school examines power, for example; however it does so within an intra-organizational, narrowly functionalist perspective that avoids consideration of broader social and political structures.

Dominant Strategy Ideology and Frameworks in the Industry

Strategic management is perhaps an example of an arid and fantastic wisdom (Horkhemier & Adorno 1947) which is based on the assumption that what has worked in the past will work in the future, that what is to come will simply remake what has already been (Thomas 1998). Indeed, such a point might be confirmed by recent empirical work on the ‘Competitive Advantage’ and the SWOT analysis frameworks by Hill and Westbrook (1997), and Harfield (1998) who found little evidence of ‘analysis’ in firms using these frameworks. This section therefore tries to reconfirm this argument from a developing country context to shed some light on this theoretical debate.

The main ideology and frameworks that were employed by the Sri Lankan tea industry especially the tea plantations are based on Western positivistic, rational models (Wickramasinghe 2004). It is evident that because of Western colonialism, Sri Lankan society especially ruling fractions in the country widely accepted the Western/Northern ideology and discourses. In this sense, the tea plantation sector is one of the most influential institutions to reshape this colonial hegemony in Sri Lankan social and political fabrication. The rational strategic approach which was blended with neo-classical economic rationality was used for industry policy reports, consultancy and funding projects, plantation companies strategic plans and academic research (see SLBDC 1991; ADB 1995, 2002; Kelegama et al 1995; Fonseka 1997; Tea Sector Task Force Report 2002). Almost all reports tend to assess the state of the industry or firms and provide prescriptions for the industry, and plantations based on the Porter’s Competitive Advantage: creating and sustaining superior performance ideology (1985) and
associated framework: Five Forces Model of Competition. SWOT analysis is frequently undertaken as a cornerstone of the strategy process. The next section critically examines this ideology and frameworks so as to understand their applicability and adequacy to understand the context.

**Ideology of Competitive Advantage**

Strategic management texts inevitably contain Porter’s models, theories, and frameworks which imply that they are fundamental to the field. However, Harfield (1998), who analysed six prominent management/organisation journals, shows that Porter was not a constant contributor, in fact he was almost absent from the journals. Porter is easily placed in the classical mould, especially as his books: ideology and models, offer advice on obtaining ‘above average industry profits’. This discourse is a classical approach to strategy which places great confidence in the readiness and capacity of managers to adopt profit maximizing strategies through rational long-term planning. It may be that ‘competitive strategy’ has offered ‘salvation or uniformity to all businesses engaged in ‘competitor analysis’ while on the road to success (Knight & Morgan 1991).

Many authors (Knights 1992; Foster & Browne 1996; Barry & Elmes 1997; Whittington 2001) have claimed that Porter is a leading advocate of ‘positivism’ with its deterministic rationalism. Therefore, managers do not make a choice; they use ready made strategies suggested by Porter such as low-cost leader or differentiation or focus strategies (‘generic strategies’). In doing so, managers are ‘stuck in the middle’ (Harfield 1998). The Competitive Advantage dogma, particularly in terms of an emphasis on action rather than reflection to the fore, is an unwritten injunction to managers to take action.

As Whittington (1993) writes, the classical conception of strategy as espoused by Porter may not always fit comfortably in other cultures. This is because, a discourse based on an American business culture respects profit, values technical procedures and regards the free market. It is evident that the tea industry including tea plantations, and associated training and consultancy agencies were ‘stuck in the middle’ of Porter’s strategy ideology and frameworks without proper understanding about the context. This clearly reflects that the way plantations’ managers perceive and treat the Western/Northern prescriptive functionalist business strategy process as merely a process and a nominal document to satisfy some of the legal and documentary requirements (Chapter 6.3). It is clear that Sri Lankan business culture, especially tea industry culture respects social power, values socio-cultural structures such as patriarchy, class system, ethnicity and politics, and indifferences about the free market which are opposed to the Western/Northern business culture.

**SWOT Analysis**

It is evident that study reports and strategy process relating to the Sri Lankan tea industry and plantations management frequently undertake SWOT analysis as a cornerstone of the strategy process but outcomes of SWOT analysis rarely apply in the development of strategies (see Lister et al 1997; Tea Sector Task Force Report 2002; and Plantation companies’ strategic plans 2002). The Limited
application of SWOT analysis has also been criticized by and Seeger (1984), Hill and Westbrook (1997), and Levy et al (2001). Moreover, strategists or consultants who employ this framework in the tea industry may be unconscious about the characteristics of the framework. The use of the framework was characterized by: a lack of clarity and significant ambiguity in how terms were defined; the tendency of managers to ignore conflicts and contradictions; a lack of verification of statements with empirical evidence; and common failure to link the analysis any implication outcomes (Harfield 1998). As Hill and Westbrook describe, frameworks like SWOT are seductive as they tend to ‘….overlay corporate diversity with generic solutions’ (1997:51); the repetition of phrases and words, without even struggling to understand and define them. This allows managers to control the destiny of their organizations.

In sum, the tea industry, especially the tea plantations in Sri Lanka predominantly employ a managerialist approach such as Porter’s industry competitiveness and SWOT analysis which provides instrumental rationality to help managers to improve organizational effectiveness and profitability. Therefore, this tradition quickly moves from revealing the irrationality of strategy as practiced to recommending improvements. The processual school examines power, for example; however it does so within an intra-organizational, narrowly functionalist perspective that avoids consideration of broader social and political structures. Hence, next section examines power relations in strategy process, one which has significant political ramifications within organizations and in the broader society.

Power Struggle and Relations in the Strategy Process

Analysis of fieldwork data found that the tea industry, especially the tea plantation mode of production, including markets is embedded in broader ideological and political structures (see also Granovetter 1985; Callon 1998) which have shaped national and contextual socio-cultural and historical institutions such as class, caste, ethnicity, religious ideology, party and ethno-politics, patriarchal social relations. Therefore, tea plantations can be treated as a social system which is shaped and stabilized in the interlocking realms of ideology, economics, and politics.

Asymmetrical Power Relations of Strategy Process

The Managers of the tea plantations, particularly strategists, struggle to implement strategies that they developed thorough universal application of the Western/Northern strategy orientation. This process contains normative idealization of goals, as the ideals of efficiency and productivity remain problematic and unsubstantiated. The previous chapters found that this is mainly because of the social and cultural aspects of all human endeavour (see also Granovetter 1985).
The managerialist approach to strategy in the tea plantations tends to plan human behaviour in economic terms. This is problematic, because economic activity cannot be placed in a separate sphere of impersonal financial calculation because of its social embeddedness. Economic behaviour is embedded in a network of social relations: families, the state, and different social stratifications. These relations influence both the means and the end of action, defining what is appropriate and reasonable behaviour for their members. Personal histories, which include educational background, religion, gender, family position, and ethnicity, all shape economic activity (Granovetter 1985; Harfield 1998).

Knights (1992) claims that strategy is a form of imperialism located within a discourse which covers the power of managers as a class in the culturally acceptable way of science and objectivity. However, in contrast to his argument, power locates openly and in totally different way in the Sri Lankan tea industry. The power relations in strategic decision-making mainly swing between elite groups of the management companies, regional and plantation politicians, and trade union elites. For example, wage determination through collective agreement, and days of work per year were mainly influenced and determined by the trade union elites and plantation politicians.

However, property rights were not fully transferred during the privatisation process. Privatisation of tea plantations was begun to depoliticise and improve competitiveness to the sector. In reality, ethno-politics and national politics did not allow full transfer of the property rights of the plantations to the companies. They kept property rights and controlling interest through golden shares, and influential power through government agencies such as welfare of the plantations, foreign funded projects and various regulatory and support institutions. In fact, plantation companies were subjected to controls and limited in implementing private mode of production strategies. Some companies encouraged a grassroots approach to the strategy process, but it was not successful because of trade unionism. Elites of the trade unions saw the participative approach as a threat to their supremacy in power relations in decision-making process in the plantations. Labour empowerment was also interpreted as exploitation by the ethno-politicians and trade unions. Elite plantation managers also supported this ideology. They perceived empowerment as a challenge to the elite class dominance of power relations in the plantations. Indeed, a logical, linear process of analysis and planning is under pressure, because of asymmetrical power relations within the strategy process.

Mainstream approaches based on game theory and Porter’s Five Forces analysis also clearly reflect a rational, technocratic perspective. Most textbooks and consultancy work draw from these approaches to portray strategy process as an objective process in which rigorous analysis of the industry conditions and company capabilities leads to evaluation of options, decision-making, implementation, followed by monitoring and control. The fundamental question
here is how an organization can objectively plan and implement strategy in a subjective business world.

Low productivity and the high cost of production are major symptoms in the deteriorating plantation sector. Companies tried to implement many productivity projects such as training, labour relations, incentives and some welfare improvement through Porter’s cost leadership strategy. However, it is clear that Porter’s prescriptions for generic strategies are difficult to implement, although they remain the enacted discourse of choice by the senior managers. This situation is clearly indicated by the frustrated senior managers who are responsible for the strategy process. Therefore, to attempt implementation, managers require a sense of ‘reality’ which is based on the effects of ‘forgetting, neglecting or denying the subjectivity’ which is the condition necessary to render these frameworks and strategies possible.

In sum, strategy is a form of imperialism which accumulates the power of particular class strata of the tea industry such as elite class managers, top officials of the trade unions, funding agencies, and government officials who involve in the industry. Therefore, strategic decisions are not necessarily based on economic rationality but social and political sensitivity and viability of such decisions. Therefore, next section critically examines the contextual reality of the Western/Northern economic rationality of business strategy.

**Contextual Reality: Beyond Western/Northern economic rationality – A critical interpretation of strategic issues and factors in the tea industry**

This section provides the theoretical interpretation for the strategic issues and factors to understand the contextual reality for improvements of the industry. Four main themes were identified (See Wickramasinghe 2004): Culture and Politics in Production; Resurrection of a modern peasant production; Panic in Marketing; and Global Inequality. Subsequently, this section interprets these themes based on the theoretical framework of this thesis - ‘cultural political economy perspective’ on the following meta-theoretical underpinnings:

- Power relations and access to resources
- Cultural political production relations
- The political economy for the Third World: The reality of Neo-colonialism.

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3 Subjectivism is the fact that we cannot know everything, or even know anything for sure. Because everyone's mind is different everyone experiences events differently. Every single person experiences a different reality and that there is no way to reconcile the experiences of two different people. In short, all of our internal words are completely unverified. Everything we think we know is a guess, and every thought process is a theory in progress. No knowledge is absolute. This is epistemology - the most ancient philosophers stated this problem thousands of years ago, and today it is still prominent and as unresolvable as ever.
Power Relations and Access to Resources

This section attempts to link empirical findings with the power relations in the Sri Lankan tea plantations within a broader social and political context. It will analyse how this power is created through politics and social stratification. This description uncovers why irrationality (here irrationality is in reference to the Western economic rationality) works in the tea plantations and the tea industry in general. The tea industry especially the tea plantation sector, has strong patriarchal power relations between top officials of the tea plantations, trade unions and politics. This situation has been further sharpened by the national and the tea plantations socio-cultural fabrications such as ethnicity, class and caste structure, religious values and beliefs.

The problems of the tea industry therefore cannot be separated from society, culture and state politics, and reduced to a single, common theme such as industry building. Consequently, there is a plurality of problems, each of which deserves particular attention and understanding before remedial action can be taken. Moreover, a broader understanding of power relations will allow strategists including policy makers and funding and consultancy agencies to formulate context sensitive policies and strategies for the industry development.

Politics as a power source

In a capitalist society, private capitalism largely controls the economy of the country. One of the main purposes of privatising public utilities is to eliminate state intervention into such institutions to improve competitiveness. As I mentioned elsewhere, the same purpose had been clearly mentioned by the World Bank and the ADB as justification for plantation privatisation (ADB 1995: 2002). The following section discusses how the privatisation of the Sri Lankan tea plantations is still an unfinished business and remains under political hegemony.

State control through developmental projects

The tea plantations in particular are undergoing many developmental projects. From the actors’ such as managers, workers, and trade union officials point of view of the industry, it is clear how these really work and how the benefits are being distributed. Centralised planning and the implementation of development projects in diverse fields have not only rendered these projects ineffective in terms of meeting their targets but also alienated those who are supposed to benefit from them. These projects have therefore benefited the elite and their vested interests more than the target groups of the projects (see also Hettige 2000; Ranugge 2000).

The politicisation of state institutions and their programmes are major obstacles to rational planning and implementation of projects and programmes. Political expediency rather than technical advice and expertise often guide decision-making (Hettige and Markus Mayer 2000). Moreover, the state bureaucracy has increasingly suffered from political interference and arbitrary manipulations by
politicians. Public officials cannot resist involvement in the implementation of political decisions even when such decisions go against formally accepted rules and regulations.

**Lack of clear state policy**

Another area where there has been serious confusion and disorder is in the sphere of industrial relations. Although there are several reasons for this state of affairs, lack of a clear state policy coupled with the absence of industrial democracy in the workplace are the most critical factors. Frequent work stoppages, often with no adequate prior notice, have led to dire consequences. Social and political processes over the last several decades have promoted deep divisions in Sri Lankan society. Social fragmentation and patron-client politics have elevated civic privatism\(^4\) to a level where it effectively prevents social action focused on collective well being (Sennett 1986).

Many political activists supporting the major parties are motivated by prospects of personal gain and do not usually put pressure on the party leaders to adopt policies aimed at promoting the collective good, particularly when the latter goes against their self-interest (Hettige 2000a). The social roots of Sri Lankan political culture have been critically analysed by Hettige (2000), who stated that 'as we all know, political violence, intimidation of voters, election irregularities, abuse of power, corruption, alleged lack of transparency in business transactions, favouritism and political interference, etc., gradually became significant features of the political landscape over the last two to three decades’(p.5).

**Welfarism – A source of politics**

Under the influence of socialist thinking and organised working class parties, the Sri Lankan state became the dominant player in the process of economic development. In the 1960s many productive assets previously owned by private firms and individuals, including plantations, soon became public property managed by state institutions. During this process of expansion of the state sector, largely at the expense of the private sector, the state bureaucracy became a decisive force not only in the process of development but also in the distribution of *life chances* (Wickramasinghe 2004) among citizens. The state became the dominant source of almost everything that the citizens desired. While politicians became the main benefactors, state officials became the key gatekeepers.

After 1977’s right wing government came to power, the relative significance of the private corporate sector and non-governmental organisations (NGOs) have increased enormously with implementation of open economic policies. This does not, however, mean that one can ignore state sector institutions.

\(^4\) Privatism: The attitude of being uncommitted to or avoiding involvement in anything beyond one's immediate interests.
After 1977, Sri Lanka became fully exposed to global processes by liberalising its economy and removing various barriers that restricted the inward and outward movement of capital, commodities, people, information and cultural goods. Expansion of tourism, and the development of modern media networks, such as national and international TV channels, have already exposed the local population to new ideas, social and cultural practices prevalent in other countries as well as modern consumption patterns (see Hettige 1997). These naturally have already had a major impact on the lives of many people in both urban and rural areas, especially youth in the plantations.

**Trade unionism and ethno-politics**

Workers’ resistance in the plantations merged political and economic disputation with cultural allegiances. This was political as trade unions were linked to national political parties; it was economic as workers wanted freedom to supplement their plantations income by participating in the village economy in ways such as working on tea small holdings, paddy fields, vegetable farms; and it was cultural as the workers wanted to protect their cultural customs from economic crisis. As in the West, the establishment of business-agrarian or industrial sectors, created working class organisation in unions but it is important to note significant differences. In Sri Lanka, as in many less developed countries, trade unions are an integral arm of political parties. Leaders tend to come from educated political elites rather than the rank of workers. In plantations the workers were deferential, but union leadership was able to lead them in a militant way. This may be due to reasons of cultural loyalty and the patriarchal nature of an ethnocentric society. Thus the trade unions, whilst acting as vehicles for economic struggle, also provided a conduit for access to politicians and the exercise of ‘kingship’.

Managerial attempts to impose the new strategy and controls to increase productivity became untenable. Although they were responsible for maintaining production plans, budgets and so on, it was a ‘headache’ for managers given the complex relationship between politics, the economy, and culture.

Moreover, plantation politicians, often of Tamil origin, who have been playing a key role in national level politics to determine the survival of the Sinhalese government, were themselves engaged in a process of assimilation (see Gamage 1997; Hettige 1997). The plantation companies were inclined to rely and reproduce the British control regimes using racial segregation, as a means of social control. However, present day social and ethnic relations are more powerful than in the British colonial time and also there is freedom for cultural practices.

**Bureaucracy as a source of power in the plantations**

The ideology of bureaucracy, introduced by Max Weber, identified the characteristics of the ideal bureaucracy model as rationality in decision-making,
impersonality in social action, routinisation of tasks, centralisation of authority and merit in recruitment and promotions. It is obvious that in an ideal bureaucracy there is no room for political appointments. Therefore, it is worth examining the present day Sri Lankan tea industry bureaucracy in the light of Webarian wisdom.

When examining the criteria of appointments and promotions to the bureaucracy the affiliation of the candidate to the political party in power is very important especially at higher levels of the public service. Secretaries to the ministries, heads of departments, chairpersons of statutory bodies and other senior public officers are appointed if they can secure recommendations from politicians. At the same time, officers of the staff grade of the public service are debarred from involvement in party politics (Ranugge 2000). Hence, it is essential for officers to establish secret alliances with politicians. This kind of relationship keeps the officer under an obligation to serve the political class. There are some officers who have secured higher positions such as cabinet secretaries, heads of departments, chairpersons of corporations and boards, ambassadors and so on through political patronage. In addition, family relationships, caste and personal relationships with powerful politicians are other considerations that allow for less qualified persons to get into senior positions of public institutions (Ranugge 2000). This socio-political fabrication therefore, punishes officers who are politically neutral and seek their career progression on merit and seniority.

People in this system know that hard work will lead to political interference and even punishment. Thus, many hard-working officers are just transferred by fax without any official inquiries (Hewavitharana 1997). All such transfers are affected with interference from politicians, such as local level party organisers.

**Social stratification as a source of power: Poverty and the life chances for plantation workers**

This section illustrates how and why social divisions work as a source of power in a capitalistic underdevelopment context. Therefore, this discussion is based on political, socio-cultural and ecological dimensions, which have to be considered to understand the context of Sri Lankan tea plantations and the tea industry. In this context it might be more appropriate to talk about a lack of desired life chances, while discussing the marginalisation of plantation communities especially for plantation youth in Sri Lanka.

**Poverty and status: Life chances for the plantation community**

The theoretical aspects of the concept of life chances are rooted in general discussions about poverty. These are new concepts in understanding poverty, which go beyond the traditional income/consumption approaches. One important approach is by Amartya Sen (1990), who sees development as an expansion of capabilities or in other words as an enhancement of social opportunities:

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... It points to the necessity of seeing development as a combination of distinct processes, rather than as the expansion of some apparently homogenous
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magnitude such as real income or utility. The things that people value doing or being can be quite diverse, and the valuable capabilities vary from such elementary freedoms as being free from hunger and under-nourishment to such complex abilities as achieving self respect and social participation (p54).

Another approach in the attempt to understand poverty is closer to an action-theoretical approach\(^5\) than the capability approach. In this approach, vulnerability integrates social, economic, political, and environmental determinants. According to Chambers (Chambers 1989), vulnerability has two sides: an external side and an internal side. With the external side, there is an examination of the risk exposure of social groups from the macro perspective of human ecology, entitlement theory, and political economy (see for example, Watts and Bohle 1993; Bohle et al.1994). The internal side must be analysed from a micro perspective in order to understand and theorise categories of coping such as ecological, socio-political, economic and personal assets, dignity, and autonomy (Baulch 1996; Bohle and Adhikari 1998; Bohle et al. 1994).

To understand the situation of youth in the plantation community in Sri Lanka, a similar concept can be applied. The situation in Sri Lankan tea plantations and industry has restricted the life chances of young people and can thus lead to increased marginalisation of youth. The structures of political power in Sri Lanka have also led to the politicisation of democratic institutions at all levels, which is especially evident from the practice of only giving employment to party supporters (Mayer 2000). Hence, people even at the lowest level of state controlled institutions are replaced if there is a change in the political actors.

However, waiters, peons, cleaners, day workers, plantation workers such as tea pluckers, sundry workers, watchers, and the like are considered as lower level labour in the Sri Lankan context. They receive a very low salary\(^6\) and little social dignity.

From the economic point of view, it is mainly the mismatch between education and available employment which puts young people into the difficult situation of finding a job in keeping with their aspirations. Although theoretically the human capital development is occurring through Sri Lanka's widespread education system, the lack of proper knowledge of English already leaves out most of the youth from jobs in the expanding private sector (Mayer 2000). In the ecological sphere, the scarcity of natural resources, especially land and water, sets serious limits on youth in plantations. This is also an emerging issue in the smallholding sector.

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\(^5\) Action theory's perspective is based on a constructionist epistemology which highlights the importance of the way we organize our knowledge in our daily lives. Essentially, constructionists suggest that people use a variety of concepts and frameworks to organize and explain their own and other people's behavior. Moreover, the meaning of people's experience is reflected in their construct system.

\(^6\) Their average monthly salary is around Rs. 3,000, which is less than $30.
‘Plantation Tamilness’ as a caste fraction

Prevailing patterns of caste discrimination in the rural areas, especially among so-called plantation Tamils, are identified as another persistent problem for young people, although it is never really acknowledged by any development scheme that caste matters (Mayer 2000).

Plantation youth perceive that they do not have local identity regarding their self-esteem and cultural practices (Wickramasinghe 2004). Many youth articulated the feeling of ‘living in the dark or the corner’, being dependent on the ruling elite in plantations and in Colombo and being neglected and left out at the same time. In regard to their cultural practices, it is clear that village-life values are still important for many of the youth interviewed. Out-migration from the plantation appears to be based much more on push than pull factors and is mainly focused on lower level jobs in hotels, pavement businesses, as servants in elite families, some odd jobs in the urban areas and to a lesser degree in foreign countries. It is important to note that many of the youth interviewed would not mind staying in employment in the tea plantations if it were possible to make a good living from it.

Another important sphere is the social integration of plantation and tea smallholding youth and thus a reduction in their scope for individual initiatives. From the empirical findings, social integration seems to be in total disarray. There is no association with any village-based institution or organisation, hardly any participation in civil or political activities except a few Tamil elite involved in politics through plantation trade unions, and no group formation among young people themselves.

It is in this context that factors such as class, caste, religion, ethnicity, language, and even regionalism contribute to the formation of cultural identities of the plantation community in Sri Lanka. The social transformation in the colonies under colonial rule was such that the former colonies, though politically independent, rarely succeeded in severing their long established bonds with the colonial centres. The ongoing, postcolonial encounters between the ex-colonies and the latter are such that it seems reasonable to argue that the mutual influences have not become any less intense after independence.

Though Ceylon was under the hegemony of three Western colonial powers for nearly four and a half centuries, it was during the British rule which lasted for nearly 150 years that the country underwent a process of sweeping change in both politico-economic and socio-cultural structures (De Silva 2000; Hettige 2000b). As historical accounts clearly indicate, religious, spatial and linguistic factors contributed to the formation of distinct socio-cultural clusters among the local inhabitants, at times unified into one or several monarchical polities. Given the feudal or semi-feudal nature of the then agrarian economy, it is safe to assume that the vast majority of the inhabitants lived in rural communities, which were self-contained to a large extent with respect to day-to-day living.
Plantation community members pass their lives in line rooms of the plantation residence with a strong caste identity. Most households consist of nuclear families, with the nuclear family embedded in a wider network of kin. The kinship system is a structure to guide and support the individual.

One of the major problems presently experienced in both sectors is labour shortage. Fieldwork (2001/02) reveals that employees perceive that society condemns them to working and living on plantations or smallholdings. Plantation youth reject work and even living on plantations, because they believe that they do not have a future on the plantations. Sinhalese people perceive that working and living on plantations or smallholdings is a low caste community thing, and this brings less social recognition for them. The Sinhalese think that their generation (peasants) who had never heard of death from starvation, would not leave hearth and home, kith and kin, and go to the estates, and according to their own crude notion, live a sort of low-caste life (Fieldwork 2001/02).

Cultural Political Mode of Production

This section examines the nature of labour and production relations, and the myth of economies of scale ideology in the context of the Sri Lankan tea industry. The link between the specific histories and socio-cultures of the tea plantations and tea industry in Sri Lanka, on the one hand, and modes of cultural political production, on the other, is the way in which exotic labour processes operate. The global distribution of production processes and the pace of economic development may determine the range of strategies and tactics employed by the state, employers, and employees.

Culture of production

By culture, I refer to a system of basic common values that help shape the behaviour of the people in a given society. A society's cultural system generally consists of the belief system of religious norms that reflects the peoples' motivation and their way of life (Granato et al. 1998). In most preindustrial societies, such a value system takes the form of a religion and changes very slowly; but with industrialisation and accompanying processes of modernisation, these worldviews tend to become more secular, rational, and open to change.

Preindustrial economies are zero-sum systems: they are characterised by little or no economic growth which implies that upward social mobility only comes at the expense of someone else (Granato et al. 1998). Social status is hereditary rather than achieved, and social norms encourage one to accept one's social position in this life. Aspirations towards social mobility are sternly repressed. Such value systems help to maintain social solidarity but discourage economic behaviour.
Religious value embeddedness

In general, plantation workers are obedient. It is evident that trade unions lead plantation workers for the survival of the trade unions themselves and associated politics. If there is no strong trade union influence, workers would be obedient to management of the plantation and the rest of the village. It is significant to mention that workers are obedient to trade union bureaucracy because of the patriarchal social fabrication of Hinduism and South Indian society. As discussed in the Chapter Five, Hinduism and Buddhism emphasise obedience and religious faith and suppress greed and the accumulation of wealth, also tendency to discourage hard work and thrift.

Emphasis on obedience is negatively linked with economic growth. In preindustrial societies, obedience means conformity to traditional norms, which de-emphasises and even stigmatises economic accumulation. Obedience, respect for others, and religious faith all emphasise an obligation to share with and support one's relatives, friends and societies. But from the perspective of a bureaucratised rational-legal society, these norms are antithetical to capital accumulation and conducive to nepotism. Furthermore, conformity to authority inhibits innovation and entrepreneurship (Granato et al. 1998).

Many world views propagate the idea of human equality. The idea is stressed more in some ethical systems than in others. It is obviously present in both the Protestant and Catholic ethical systems. But Weber (1930) argues that the traditional Catholic focus on the afterlife is in contrast to the Protestant focus on life in this world, which vitiates the force of the ethical system, particularly when that focus is accompanied by the cycle of transgression/confession/absolution. One possible consequence may be a relatively stronger Protestant orientation towards equality and community and relatively stronger Buddhist and Hindu orientation towards hierarchy.

Previous chapters observe repeatedly the negative consequences of authoritarianism for growth of individuals, organisations and society. There may well be truth in the belief of Weber (Weber 1958, 1963; Weber & Kalberg 2002) and also Myrdal (1968) that traditional Catholicism, Buddhism, and Hinduism, with their focus on the afterlife and reincarnation (Buddhism and Hinduism) and the crucial role of the church and temple hierarchy and the priest/monk, encouraged a dependency mindset among its adherents that was an obstacle to commitment for business activities. According to Gunnar Myrdal (1968), in South Asian Hinduism:

......social and economic stratification is accorded the sanction of religion.
......The inherited stratification implies low social and spatial mobility, little free competition in its wider sense, and great inequalities (p104).

It should be a hypothesis for further study that people in this region are not inherently different from people elsewhere, but that they live and have lived for a long time under conditions very different from those in the Western world, and that this has left its mark upon their bodies and minds. Religion has, then,
become the emotional container of this whole way of life and work, has rendered it rigid and resistant to change (p112).

The fundamental questions of future versus past orientation, encouragement or discouragement of rationality, and emphasis on equality versus authority, strongly influence three other cultural factors that play an important role in the way a society develops: (1) the extent of identification with others, (2) the rigor of the ethical system, and (3) attitudes about work (Harrison, 1998).

Despite the frequent influence of ‘tribal’ imagination in Sri Lankan tea plantations and its industry, the reality of this social fabrication is not an open frontier awaiting conquest by the elite class. Indeed, a complex structure of economic and political interests penetrates every aspect of them.

Social structures

It is understood that to be modern or productive a firm, an industry or a nation must have modern institutions, effective government, efficient production, and adequate social services. And it is recognised that there may be structural obstacles to such improvement stemming not only from nature, but from social, political, and economic causes as well. Narrow class interests, colonial oppression, rapacious great powers, international cartels, domestic monopolies, archaic and corrupt governments, tribal antagonisms, and religious and ethnic prejudices, to name but a few, are among the many objective forces which we know may act to impede performance and modernisation.

It is admittedly difficult with presently available techniques and information to establish the case scientifically, but I am convinced that mental barriers and psychic factors of the workforce are key obstacles to more effective economic and social development in many organisations. In Sri Lanka, most of the cultural, technology, political, and economic institutions are transplanted institutions from the colonial state. It is obvious that much influence was placed on the plantation economy in Sri Lanka where plantation management and forms of administration followed British models. How many of these transplanted and imitated institutions actually take root and bear fruit in its new setting is problematic. The experience of almost everyone who has worked extensively on problems of development is replete with examples of the failure of such transplantation (Granato et al. 1998).

In some cases, the small set of individuals who possess the qualities necessary to effectively run the institutions are either not called upon, or may even be socially ineligible for service in those roles in which they could be most useful.

Within purely local and parochial settings, most widely diffused are the qualities characteristic of traditional man/woman roles; passive acceptance of fate and a general lack of efficiency; fear of innovation and distrust of the new; isolation from the outside world and lack of interest in what goes on in it; dependence on traditional authority and the received wisdom of elders and religious and
customary leaders; preoccupation with personal and especially family affairs to the exclusion of community concerns; exclusive identification with purely local and parochial primary groups, coupled with feelings of isolation from and fear of larger regional and national entities; the shaping and damping of ambition to fit narrow goals, and the cultivation of humble sentiments of gratitude for what little one has; rigid, hierarchical relations with subordinates and others of low social status; and undervaluing of education, learning, research, and other concerns not obviously related to the practical business of earning one's daily bread.

It's worth acknowledging that some of these traditional qualities facilitate adaptation to life. Such qualities help an individual make successful adjustment to the real conditions in which they exist, and indeed pervade, their life space. But those qualities also tend to freeze people into the situations and positions in which they find themselves, and this, in turn, serves to preserve the outmoded, indeed archaic, and often oppressive institutions which hold the people in their grip.

Most frequently the cultural political production relations develop when a stratified social and economic system is breaking down or is being replaced by another as in the case of the transition from feudalism to capitalism or during periods of rapid technological change. Often it results from imperial conquest in which the native social and economic structure is smashed and the natives are maintained in a servile colonial status, sometimes for many generations.

**Social capital of the plantation workforce**

Low wages, chronic unemployment, and underemployment lead to low income, lack of property ownership, absence of savings, absence of food reserves in the home, alcoholism, and grumbling which makes conditions worse. These conditions reduce the possibility of effective participation in the work place and in the larger economic system. As a response to these conditions, I found that workers in the plantations, a high incidence of pawning of personal goods, borrowing from local money lenders at usurious rates of interest, spontaneous informal credit devices organised by neighbours, and a pattern of frequent buying of small quantities of food many times a day as the need arises.

Workers are subjected to a low level of literacy and education (Sri Lanka Department of Census and Statistics 2001). Workers from both the tea plantations and the smallholdings make very little use of banks, department stores, public places and institutions, or art galleries. They have a critical attitude toward some of the basic institutions of dominant classes, hatred of the police, mistrust of government and those in high position, and a cynicism which extends even to the temple. This gives the culture a high potential for protest and for workers being used or manipulated in political movements aimed against the existing social order (Hettige 2000).

The culture of poverty in the labour force of the tea industry includes poor housing conditions, crowding, gregariousness, but above all, a minimum of
organisation beyond the level of the nuclear and extended family. Indeed, it is the low level of organisation which gives the culture of poverty its marginal and anachronistic quality in a highly complex, specialised, and organised society. Most societies have achieved a higher level of socio-cultural organisation than tea plantation workers have.

On the level of the individual, the major characteristics are strong feelings of marginality, of hopelessness, of dependence, and of inferiority. Other traits include a high incidence of material deprivation, weak ego structure, a strong present-time orientation with relatively little ability to defer gratification and to plan for the future, a sense of resignation and fatalism, a widespread belief in male superiority, and a high potential for psychological pathology of all sorts. They know only their own troubles, their own local conditions, their own neighbourhood, their own way of life.

**Labour relations of production**

Unlike in the West, therefore, a proletariat in the sense of a distinctive working class does not numerically dominate the working population in Sri Lanka. This has had an effect on the potential membership of unions and their capacity to bargain with employers on equal terms. In some cases the balance has been restored by the political activities of, and political support given to, unions by socialist oriented governments. In other cases the government encouraged (some may say ‘created’) unions which the government could control. This is reflected in the right retained by many Asian governments to intervene in collective bargaining, in the restrictions imposed on bargainable issues (For example, Malaysia and Singapore), and in the right to intervene in disputes through the arbitration process (De Silva 1998).

In comparison, South Asian industrial relations are characterised by union pluralism, politicisation and multiplicity of unions, and in some cases by extreme labour protection and inter-union rivalry as in India and Sri Lanka.

The division of the labour force into classes of agents, and forms of distribution of the means of production must be conceived as consequences or effects of production organisation. Types of units of production and the social division of labour between units are the basis of differentiation of modes of production. Analysis of the kind of socio-politico and economic structures such as feudalism, capitalism or socialism would find it hard to differentiate their system of production without introducing the effects of production relations (Hindess & Hirst 1977).

The situation in the Sri Lankan tea industry may be interpreted as an ethno-cultural political social formation in which semi-feudal production supplies capitalist producers with raw materials through long distance trade controlled by merchant capitalist monopolies. Within this conceptualisation, relations of production can be seen as forms of class relations specific to the structure of the
social formation, forms of state and political apparatuses, specific cultural and ideological forms, and forms of relations to other social formations.

In the case of the Sri Lankan tea industry, especially plantations, social formation cannot be resolved into the classical Marxist formula of an economic base and its political-legal and ideological-cultural superstructures. Legal and political apparatuses and cultural or ideological forms provide the conditions of existence to determinate relations of production are secured. However, they are not reducible to their effects and they are not organised into definite structural levels which merely reflect the structure of an underlying economic base. This means that political forces and ideological forms cannot be reduced to the expressions of 'interests' determined at the level of economic class relations.

**Myth of economies of scale ideology**

Economic, social, and political processes unfolding outside of agriculture, and in particular the accumulation of capital and the evolution of the capitalist class, while themselves originally largely determined by the processes that have taken place in agriculture, became the prime movers of the historical development with the onset of capitalism. In terms of the history of Europe and the USA, there are basically two features in this process of capitalist development: one is the growth of commercial agriculture, and the other is the formation of the agricultural proletariat. This is simply the capitalist farmers who regard agriculture as an industry, and wage-workers.

In industry, capital grows as a result of accumulation, as a result of the conversion of surplus value into capital and amalgamation or merging of other competitive firms into a large unit. Therefore, the industrial capitalist can go on increasing the scale of his operation, almost without limit, by more and more investment.

In the pre-capitalist plantation sector the situation is different. The whole of the cultivated land is already occupied by different owners. It is difficult to enlarge the area of the tea plantations because the small plots are usually occupied by small growers and peasants who are masters of the art of maintaining their hold on the land by reducing consumption to an unbelievable minimum. This then draws a line beyond which the large-scale capitalist farmer cannot aspire to go. A large number of small growers own tiny fragments of land, scattered widely. They hang on to their pieces of land with proverbial tenacity. Therefore, the rigidity in the land market becomes an important constraint against the spread of agrarian capitalism.

It is evident that smallholdings perform far beyond large-scale tea plantations in terms of productivity (Wickramasinghe & Cameron 2003a). One of the main causes of this is the social and historical values towards the peasant farming system which had carried through the British colonial hegemony and beyond. Rural people in Sri Lanka prefer the peasant farming mode with commercial basis for their living. Peasant farming ideology has not given away from them.
The structure of the peasant private mode of production is quite different from large scale plantations. Small growers use their family labour for their tea garden activities. There is no clear division of labour, whole families work together, everyone in the family does almost everything related to growing, harvesting and so on. That is their way of life, which provides the whole income for the family. There are no legally or formally determined working hours, payment system, labour control including division of labour, which are essential and basic principles of the capitalist MOP.

The large size and the management system of the tea plantation are not due to any internal economics of scale as the technology of crop production was divisible (scale neutral). Therefore, internal economics of scale is equally applicable, and even more appropriate, to smallholdings. Rather the sizes of the plantation necessitated economics of scale that were external to it (De Silva 1982).

**The Political Economy of the Third World: Neo-colonialism and Global Inequality**

Theoretical syntheses from neo-colonialism and global inequality are drawn in this section to link Sri Lankan tea industry strategic issues within a wider context. This discussion examines how capitalist societies and their agents create and maintain inequality in global trade through neo-colonialism. Apart from the cultural political roots of the tea plantations and industry within the wider socio-economic context in Sri Lanka, global inequality has a negative effect especially on marketing of Sri Lankan tea.

**Global inequality through trade: Exploitation at a distance**

It has been argued that from the beginning of the tea trade that there has been a general shift of power from producing countries to consuming countries in the tea-marketing chain. Power relations between producers and buyers have also become more complex.

The terms of trade were always situated within the bounds of a narrow zone of indeterminacy, and when Mill, Marshall, or J.R. Hicks speak of the terms of trade, it is always within limits that they conceive them to lie (Emmanuel 1972:3).

From this point of view, if unequal exchange takes place, inequality relates only to the sharing of the advantages of international trade. The third world has, by becoming aware of itself, set new problems and brought about the appearance of a specific branch of economics, development economics, which represents, the ‘negatives’ of established economic science (Emmanuel 1972). This unequal exchange may directly affect to the workers of such industries.

For example, differences in wages can be explained by the fact that for an American, British or Japanese worker who works almost all processes are mechanised or automated while those of a worker on a Sri Lankan tea plantation who uses their hands to pluck tea leaves in a harsh climate. It is much harder to
explain as, people start to wonder what would happen to the wages of that
developed country worker, in the present state of world production, if all the
workers in the developed world and hundreds of millions of agricultural workers,
too, were to be paid two or three dollars per day (Bradshaw & Wallace 1996;

Therefore, it could be argued that economic theory lags behind this awareness,
this ‘great awakening’ as Myrdal calls it ‘Problems of the Political Economy of the
Dictatorship of the Proletariat’: ‘Just as the share that comes to the individual
worker is calculated not in relation to his needs but to the output of his labour, it
is also necessary to take account the higher output of labour in international
commodity exchange’ (Myrdal 1953; Myrdal & Kessle 1972; Myrdal & King 1972).
This is true, because conditions have not improved much since then.

The mechanism of world trade whereby one nation exploits another –
‘exploitation at a distance’ needs to be dissected. One of the reasons for this may
be the effect of imperfect competition due to either economic monopoly or
political domination. The worsening in the terms of trade over a long period is
either seen as a statistical illusion or is relegated of those structural tendencies of
the elasticity of demand, as improbable as they are ill-defined (Emmanuel 1972;
Amin 1977; Seligson and Passé-Smith 1998).

It has been observed that all that has been accomplished on economic basis is a
dogmatic identification of agriculture with poverty and industry with wealth,
although this is refuted with the cases of Australia, New Zealand, and Denmark,
on the one hand, and Spain, Italy, and Japan, on the other. The reality is not the
terms of trade of certain products but those of certain countries, regardless of the
kind of products they may export or import.

It is therefore necessary to go beyond world market relations, to study world
production relations, in an attempt to understand them. As Emmanuel in 1972
argued, the assumption that the capital factor is mobile but the labour factor is
immobile on the international plane has been supported by contemporary trends.
However, the situation in the Sri Lankan tea plantations is unique in the sense
that labourers are not freely mobile even within their own nations. It is evident
that the Sri Lankan tea plantation is a ‘total institution’ with its own resident labour
force, and this labour has been bonded to the plantations mainly through
welfarism such as provision of shelter, health, and education, within a framework
of cultural political production relations.

**Unequal Exchange**

The concept of unequal exchange is apt to elude precise and universal definition.
Sau (1978) argues that the medieval period that spans from the 5th to the 15th
centuries also witnessed significant social, economic and political developments
in Asia, Africa and Latin America as other areas in the world. Even in the early
part of the modern era, socio-economic predominance was initially held in some
areas of these three continents. Before the 18th century the standard of living of
the presently underdeveloped lands was almost certainly higher than that in Europe. It was certainly higher in Asia (Braun 1972; Habib 1972).

The underlying process, of course, started earlier when the outward venture of European mercantilism began at the end of the 15th century; and culminated in the nineteenth century when capitalism entered its advanced stage in Europe (Magdoff 1978). Magdoff (1978) argues that the poor, underdeveloped countries have been victims of a relentless set-up that has robbed them of precious human and natural resources. He further sets down an apparently paradoxical proposition, namely, the richer a region was during colonisation the poorer it is today; and the poorer a region was at that time the richer it is today. ‘The greater was the wealth available for exploitation, the poorer and more underdeveloped the region today; and the poorer the region was as a colony, the richer and more developed it is today’ (H* Ch* & Johnson 1967:14).

World capitalism is an ensemble of exploitative relations embracing certain countries and classes. Geographically, it has two parts, namely, (a) the metropolis or centre, and (b) the periphery. Through the ages, the periphery has provided to the centre, the funds needed for its primitive accumulation, the raw material products. The periphery is also known as the Third World, while the centre is recognised as the First World.

The underdevelopment of the periphery is a precondition for the development of the centre (Sau 1978). A striking feature of recent origin is that an increasing part of world trade has become an internal transaction within the same vertically integrated transnational or multinational corporation. Soon after a third world country is integrated into the system of world capitalism, its economy is transformed in a form of neo-colonialism to suit the requirements of the metropolitan centre. The commodities to be exported are decided upon, and the method of production is worked out accordingly (Sau 1978). One can argue that industries of third world countries, which are significant to the capitalist societies, are maintained through capitalist's agencies, such as donor agencies (Perera 1989; Wickramasinghe 1996; Passé-Smith 1998). According to (Luxemburg 1963:16).

…..the accumulation of capital concerns the relations between capitalism and the non-capitalist modes of production which start making their appearance on the international stage. Its predominant methods are colonial policy, an international loan system - a policy of spheres of interest - and war. Force, fraud, oppression, looting are openly displayed without any attempt at concealment.

**Market Irrationality**

What Sri Lanka lacks is a formally established tea exchange, without which planters especially smallholders and intermediates, remain less well-informed about prices and quality than the foreign buyers and merchants who enjoy
quicker and more direct links with commodity exchanges internationally. Such access to information has given foreign capital a head-start in making investment decisions. It seems that market structures in the Sri Lankan tea trade paint a picture which bears little resemblance to models of perfect competition.

Economic rationalism does not expect that smallholder survival should prevail over estate plantations, but in the Sri Lankan tea smallholders dominate production and productivity. They get better prices and profits than their large-scale partners even within a sort of informal and irrational economic structure. The methods of growing and primary processing of tea have improved little in comparison with other similar industries over the centuries. Barriers to entry are low, there are no obvious economies of scale, especially on large scale plantations. Even at the beginning of the 21st century, there were hardly any mechanisation of harvesting on the advanced tea plantations. Plantations became disenchanted with tea, while smallholders, with lower overheads, cornered production and the market (Central Bank of Sri Lanka 2001; Shanmugaratnam, 1997).

As prices do not tell the whole story, it is necessary to turn to the cultural political economy, where reality is not usually set up to be socially or economically efficient. This reflects the bargaining power of social and political actors in a society in which predominant cultural forms tend to maintain ‘dependency’. Plantations and smallholdings fit neatly into an institutional approach, more specifically into the cultural political economy approach. Actors of the plantations are socially and politically powerful individuals and firms.

A cultural political economy approach to business strategy

This study found that traditional mainstream strategic perspectives do not regard strategy processes as organizational processes which are embedded in the broader social and political context. This thesis has taken cultural analysis seriously with socially structured power relations in the field of business strategy in the Sri Lankan tea industry particularly the tea plantations. This approach provided a way to explore the assumptions and limited applicability of the Western/Northern mainstream managerialist strategy perspective. Cultural political economy critically examines the culture and practice and power relations in the process of business strategy in the political economy. This approach also examines the historical roots and their relationships within the context under study.

The cultural political economy approach suggests that the discourse of strategy itself is a key dimension of power. It also emphasises that instrumental, technocratic orientation on strategy precludes discussion of environment, social, or other values. This approach highlights the problem of rationality of dominant strategy works such as Porter’s competitive advantage and generic strategies which has the contradictions between idealized myths of ‘perfect competition’
and more grounded concepts of market power. Cultural political economy framework questions the rationality of strategy and unmask the relations of power behind strategic decisions and the particular interest served. This approach goes beyond the most of studies of the politics of strategy (for example, Bower and Doz 1979; Child 1982; Cressey et al. 1985) which focus on internal struggle among managerial factions rather than labour or external stakeholders. These studies tend to abstract from wider historical and social contexts. Cultural political economy approach unveils the historically distinctive, politico-economic organisation and contradictions of the production and consumption process that have shaped the development and direction of strategy process at the tea plantations. This is a step beyond what Pettigrew (1985) studied. He found that dominant groups are protected by the existing bias of the structures and cultures of an organization.

Cultural political economy approach was able to find the central management problematic of tapping the creative energy of workers while suppressing insurgent strategies that might threaten structural change in power relations. Examples of this are the unfinished privatisation strategy, the negative impact on empowerment and participative approaches or malpractice of them, patriarchal economic and social relations, and ethnicity. The cultural political economy approach offers considerable insight into many strategy maxims which appear to be faddish aphorisms and poor guides for action such as strategic planning (for example, see Mintzberg 1994). Many simple models such as the growth-share (BCG matrix) matrix, and Porter’s Five Forces model have gained first popularity and then disappointment, as managers and scholars realized their limited usefulness (Seeger 1984; Harfield 1998). SWOT analysis and Porter’s industry analysis, a basis of the strategy process, is dominantly occupied this process but rarely applied in the development of strategies (Hill & Westbrook 1997; Harfield 1998).

That approach has capability to radically explore the traditional distinction between conventional (market) and political (non-market) strategy is untenable. It is not just that firms need to coordinate market and non-market strategies to achieve economic goals (Baron 1997). More fundamentally, markets are embedded in broader social and political structures (Granovetter 1985; Callon 1998) and the articulation of markets constitutes centre-periphery circuits of power.

The cultural political economy approach of this thesis informs us that powerful actors in the context are protecting economic and political privileges. Therefore, strategic analysis could usefully inform appropriate action by progressive social forces concerned with social contents and emancipation, and for more democratic organizational forms engaged in market competition such as co-operatives and collectives.

Finally this approach explores the deep-rooted socio-cultural, historical, and political issues and factors in the tea industry which have been continuously
neglected by the previous studies. In doing so, the cultural political economy approach to strategy provides considerable insight into the strategy process in the broader social and political arena. Therefore, it is suggested that understanding the deep rooted contextual reality such as power relations will successfully allow organizations to employ strategies such as various mechanisms of controlling labour, from technical control rooted in the production process (Braverman 1974), bureaucratic control (Edwards 1979), to the ‘concertive’ control of total quality management and teamwork (Barker 1993; Boje and Winsor 1993). These strategies can be combined with the increasing use of contingent workers and offshore sourcing.

In conclusion, cultural political economy of business strategy has taken cultural analysis seriously with socially structured power relations to unmask the Western/Northern managerialist approaches to strategy. It was argued that this approach provided a way to explore the assumptions and limited applicability of the mainstream strategy perspectives. It is found that dominant groups such as trade union and management elites, who were merely and nominally applied the managerialist approach to strategy in the Sri Lankan tea industry, while suppressing insurgent strategies that might threaten their power relations. Therefore, this thesis uncovers and a step beyond what Pettigrew’s (1995) influential study makes direct reference that how dominant groups maintained the existing bias of the structures and culture of an organization.

The Western/Northern grassroots strategic approaches advocate empowerment including decentralization and participatory process for the promulgation of shared values and mission to provide a force for integration. However, empirical evidence suggests that despite the popular discourse of networks and empowerment, there is no discernable trend towards increased decentralisation of strategy decision-making process (see also Ruigrok et al. 1999). It is evident that managerialist approaches including grassroots approaches to strategy tries to grasp workers productivity while protecting power relations in strategy process. Therefore, next section addresses the critical strategic issues and factors found in previous chapters to draw some important aspects of industry for its development.

**Addressing Critical Strategic Issues and Factors**

The strategic issues and factors such as managerialist perspectives to strategy and power relations in the tea industry; nature of the social and human capital including patriarchy, class structure, ethno-politics, trade unionism, religiosity of human capital; property rights; and neo-colonialism, found in this thesis reflect the argument that industry issues cannot be confined within the industry or its sectors. The performance of the tea sectors is directly influenced by the power structures of the social and political institutions impacting upon them. Therefore, wider social and political interactions and their power relations in strategic decision-making processes could be central for any strategy.
It is clear that the Sri Lankan tea plantations are not capitalistic. Even though they are run by private capitalism, favourable changes towards a modern agrarian system are blurred. Plantation management should truly understand the broader social and political relations within the sector, which have suppressed performance of the sector. Therefore, changes towards a modern plantation system instead of patriarchal, traditional work organization will segregate the power relations in elitism, trade unionism, and ethno-politics in decision-making process. True empowerment and participatory perspective on strategy will bring modernization to the industry. Therefore, it is possible to dismantle strong power relations through segregation. In doing so, the culture and politics of the production can be managed significantly by the plantation management.

This thesis found that productivity issues are most strategically important issues which are mainly caused by ethno-politics and trade unionism, discontent and lack of motivation within the workforce, and lack of clear transfer of ownership of the tea plantations. The industry also suffers from market inequality, lack of effective coordination between state agencies and the tea sectors, and lack of value added products to compete in the market.

Productivity issues have significantly contributed for high cost of production and low productivity of the industry. Therefore, it is important to prioritise productivity improvement strategies to improve competitive advantage. However, business strategy should be considered business as a whole, and directed to satisfy the consumer needs. It is also found that industry issues are critical, complex and interrelated. Therefore, production and marketing functions are equally important in strategy process which is beyond functionalist orientation to strategy processes.

According to the critical analysis of the Western/Northern strategic approaches, formulated strategies are problematic. Mintzberg (1994, 1998) emphasizes the recursive process of learning, negotiation, and adaptation by which strategy is actually enacted. He suggests that strategy is better characterized as an emergent rather than planed organisational phenomenon because the planning-implementation distinction is unsustainable (Mintzberg 1990; see also Nelson 1991). This also presumes the efficacy of whatever strategy emerges from complex organisational processes. It is argued that strategy itself is a key dimension of power therefore following guideline is subjected to this key dimension of power to dismantle significant barriers to improve productivity and market competitiveness which will help to improve the industry by understanding the influence from wider social and political context. Hence, addressing critical issues are different from the Western/Northern prescriptive approach because this study has provided wider socio-political understanding and root causes of issues before suggesting critical areas to be addressed. The proposed guideline based on the contextual understanding of cultural political economy of business strategy is also different from an instrumental, technocratic orientation which emphasis on ends rather than means results that precludes discussion of environmental, social, or other values. Therefore, following sections provide a
basic guideline and framework for industry development by acknowledging the importance of understanding industry or sector/s issues within broader social and political contexts which is not considered by the managerialist perspectives on business strategy. It is also acknowledged that cautious of the political neutrality of empowerment strategy including participatory processes under management ground-rules or external stakeholders influences.

Productivity Related Issues

One of the main challenges facing the industry, especially tea plantations is out-migration and chronic absenteeism of registered, resident plantations workers, a general aversion to the plantation labour in the villages, and the newly educated generation’s disappointment on dignity of the job and their desire for a more fulfilling life outside the tea sector. The reasons are primarily a quest for better wages and status, but also better educational opportunities, access to child and medical care, more off-work time and amenities for leisure, and self-esteem, dignity and social acceptance. To address this issue, workers and their families need to be empowered:

Empowerment

(1) A well respected and recognized tea profession will have the potential to be a sociological and productivity model for the nation. Integrating rural and urban centres of activity, tea industry can have a counterbalancing effect on the inner-city excesses. One of the best arrangements for a modern, agricultural country must surely be extensive rural belts of agrarian production, as provided by tea lands and factories, with industrious and contented worker communities. This model will allow the hallmark of industrialisation and urbanisation.

(2) Participatory development of welfare facilities, such as housing, water supply, sanitation and health, childcare and social services. For example, traditional line rooms can be replaced by individual cottages, and worker families will become partners in construction and maintenance of these facilities.

(3) Integrating plantation hospitals into the national health system in order to ensure the provision of qualified staff and adequate other resources. Plantation schools should also be incorporated into the national education system.

(4) Capital and labour relations, as well as land are inextricably inter-twined. Patriarchal and position gaps between workers and management have to be reduced to a manageable level to the point where there is a contented and motivated work force which is crucial for improving the productivity and profitability of the tea plantations. This can be achieved in a number of ways, for example, introducing rest rooms for workers, with facilities such as entertainment for relaxation and holding regular meeting with workers that build relationships and develop trust.
(5) Partial mechanization of field operations. Total mechanization of a highly labour-intensive production system is obviously impossible. However, partial mechanization would reduce costs, improve land and worker productivity, and most importantly it reduces drudgery and boost the morale of workers by giving them social status as skilled, machine operators. In addition, time-and-motion and ergonomic studies have to be initiated for devising ways to ensure that manual as well as mechanical tasks are made more efficient, both in the field and factory. This will help to solve the problem of labour shortage and increase the physical and mental well-being of workers. Machines will not replace tea pluckers but utilise them better, whenever and wherever workers are in short supply. In addition, the manual uprooting of old tea bushes can be done by bulldozing or back hoe which can save labour, cost and time. Small hand-held drillers can be used for drilling of planting holes. Manual pruning can also be replaced with similar technology.

(6) The better organization of the tea factory would help to maintain quality and hygiene standards, control costs, and add value to the final product. Placement of machinery according to the ergonomic principles and making the factory floor more worker-friendly are examples of how this could be achieved.

(7) Research is needed to introduce electronic temperature, humidity and pressure sensors into manufacturing sequence, under an automated computer-based monitoring, command and control system. This will improve productivity and as with field mechanization, elevate factory worker to the status of food technicians.

(8) Experiment can be done by clustering tea estate, and allocating those tea fields for worker community groups surrounding them for take care of them. Responsibility can be decided through awareness programmes and training for group members and leaders of the groups. In doing so, this strategy will enhance worker confidence and group cohesiveness which trade unions always is tapping for their activities. This empowerment will tap the creative energy of workers to enhance their own income and productivity of the plantations.

Smallholdings

The tea smallholding sector also suffers similar issues to the plantation sector in different forms, issues such as scarcity of labour, unwillingness of newly educated generation, politicisation, and increasing cost of production. TSHDA can support to build better future for smallholders so as to keep family labour within the sector and attract village labour to smallholdings. Insurance, savings, and pension benefits schemes for this sector will save from above issues. Transparency of such programmes and funds are crucial in a politicised environment. Factory and proper transport facilities are a key for smallholdings to maintain better quality and cost reduction. Support services such as fertilizer production, extension, and proper national and local level organisations for
smallholders are essential to improve their economic and social status in comparison to other organised sectors.

References


