



---

**COMPARATIVE ANALYSIS  
OF CORPORATE STRATEGY IN TEA PLANTATIONS  
FOLLOWING PRIVATISATION : REGIONAL  
PLANTATION COMPANIES (RPCs) OF SRI LANKA**

**BY  
ROHAN M FERNANDO**

Thesis submitted to the University of Colombo in fulfillment of the  
requirement for the degree of Doctor of Philosophy in Management in  
the Faculty of Graduate Studies



**FACULTY OF GRADUATE STUDIES**

**AUGUST 2004**



111538

---



## ABSTRACT

---

Tea plantations have been the backbone of Sri Lanka's economy for the last several years and have undergone several changes from being British owned, to nationalisation in 1975 and back to privatisation in 1992. The tea plantations sector has been an integral part of the country's economy and its growth has been inextricably tied to the future of Sri Lanka.

The recent past, has seen Sri Lanka's competitiveness declining vis a vis major tea producing countries such as, Kenya and India. Further, new tea producers such as Vietnam too pose a threat to Sri Lanka's competitiveness. Several issues have been identified as the cause of the current state of the industry. The most notable being, the lack of a well integrated marketing strategy that would encompass all segments of the industry.

The Regional Plantation Companies (RPCs), which were set up in 1992 after the first phase of privatisation forms a major component of the plantations sector in the country – majority of which comprise tea estates. The performance of these tea estates and RPCs would have an impact on the growth of the tea industry and this research attempts to study strategies adapted by four estates and three RPCs after privatisation in 1992. Whilst



the research endeavours to examine several aspects of the estates and the RPCs, its main focus is on marketing and marketing strategy.

The study also makes a comparative analysis of performance and management strategies with particular focus on marketing during the state management period, the period of the Management Contract (MC) and the 53 year lease, which forms the period of private management of the tea estates.

The research finds a lack of marketing orientation and marketing consciousness in the plantations and at corporate level in the RPCs, which is a contributory factor to the decline of the industry. The study finds that estates and RPCs merely play the role of a raw material producer with little efforts at value addition and moving up the value chain.

Further, the research finds that a majority of the estates and RPCs prefer to sell tea through the auction system, which is a disincentive to marketing and value addition though an effective market clearing process. Several reasons are attributed to this phenomena but the main cause being the production orientation and cost focus of the estates and the RPCs. This has resulted in a lack of marketing orientation in the estates from the state management period, although there has been a gradual improvement after the 53 year lease.



The research also finds that commitment and sustainability of the estates and the RPCs have improved after the 53 year lease whilst evidence tends to show that the period of the Management Contract has lacked an element of sustainability. There are several lessons to be learnt from these experiences and could possibly be used for fine-tuning macro level privatisation strategies such as, in the privatisation of the Ceylon Electricity Board, Ceylon Petroleum Corporation, the State Banks, etc.

Several recommendations have also been submitted in the thesis, with a view to improving marketing orientation and marketing consciousness of the sector. This will enable the estates and RPCs to move up the value chain and develop their own brands in a phased out manner. These include strategies at re-orienting the organisation structures on estates, as well as implementing a well integrated marketing strategy that will ensure the sustainability of the tea industry, in the future.