

Risks, Threats and Disruption to Business: Assessing the Perceptions of Estate Managers of the Plantation Sector in Sri Lanka

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ABSTRACT

Risk perception is considered as a critical social-cognitive factor in terms of disaster preparedness among businesses; thus, the threats that have a wider perceptual ground would receive response and action by the management. The rationale for such response and action by a firm emerges from two theory-centred assumptions: (1) it is the prime responsibility of the management of the firm to ensure the continuation of its operations at all times, and (2) such disruptions can have a greater impact upon the viability of the firm.

In this scenario, this study was aimed to assess empirically how managers of tea and rubber estates of the plantation sector in Sri Lanka located in different geographical regions perceives potential risks/threats/disruptions to their businesses. Based on Stratified Random Sampling techniques, Senior Estate Managers from 52 tea and/or rubber plantations belonging to seven Regional Plantation Companies (RPCs), from: (a) Up country (Central province); (b) Mid country (Sabaragamuwa province), and (c) Low country (Southern province) were selected for the study. A validated structured questionnaire was administered from June to August 2010 with a cluster of managers from a single RPC at a time, followed by a personal interview with each manager to verify certain issues. The questionnaire comprised of a series of traditional and emerging risks that can have a disruptive impact upon an agro-enterprise were evaluated by means of multi-point attitudinal rating scales. Both qualitative and quantitative data analysis techniques were used to analyze data, including Pair-wise comparisons, Box-plots, Histograms, Frequency charts etc. and derivation of Mean Importance Scores, Mean Ranks (MR) and Indices. The outcome of analysis revealed that, irrespective the location of firm, crop type and the RPC to which an estate belongs, the estate managers have perceived mostly that the destructions associated with "extreme weather" (e.g. flood, land slide, drought) as the biggest threat to their business. However, geography plays a key role with regard to other factors deciding the fate of a business, for example, those managers from the Low and Mid country judged that "loss of people", "industrial action" and "loss of IT/telecommunications" to have a serious impact in this respect. Interestingly, the managers from the estates located in different geographical regions, but belonging to the same RPC, congregated on different factors, including "negative publicity/coverage", "customer health issues" and "environmental incidents" highlighting that geography, amongst the other factors, can have a greater impact on managing the catastrophic risks linked with the natural environment. Also, this implies the importance of setting appropriate market friendly risk management tools and institutions as well as information sharing mechanisms beyond the traditional premium-based insurance schemes to ensure performance of a business, as managers perceived the risks they face are external to the business and the firm itself cannot provide efficient solutions merely through their expertise and experience.
