

# IMPROVING SUSTAINABILITY AND COMPETITIVENESS THROUGH STRATEGIC VALUE CHAIN MANAGEMENT IN SRI LANKA'S PLANTATION SECTOR.

The critical question lingering in the plantation sector's wage dilemma, one that hasn't been addressed sustainably, revolves around prioritizing either the appreciation of manual labor or actively participating in collective bargaining. Unfortunately, the unanimous preference for the latter, albeit for misguided reasons, has led to dire consequences for the sector, punishing the majority who lack a voice in the matter.

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The sector urgently requires an innovative compensation model to replace the ad-hoc methods typically employed, as the current approach is resulting in declining performance and negative growth, despite the sector's potential to generate annual revenues of up to 10 billion USD. Immediate state intervention is necessary to address this pressing issue.

### **Addressing Wage Disparities and Performance Evaluation:**

The disparity in daily wage rates among plantation workers in Sri Lanka has long been a topic of discussion, yet often without a comprehensive understanding by trade unionists. Despite this, the visible outcome remains the significant outflow of plantation employees. Unfortunately, accurate statistics regarding wage differentials, real time employee demographics between the Regional Plantation Companies (RPC) and smallholder sectors are lacking.

It's essential to recognize that Sri Lanka's primary plantation crops, including tea, rubber, coconuts, oil palm, cinnamon, and forestry, drive the industry. However, the absence of a standardized method for calculating the crucial Key Performance Indicator (KPI) of 'profit per hectare per annum' poses a challenge. This is important to achieve sustainable competitive advantage.

Anomalies in compensation further exacerbate the issue, where both newcomers and experienced workers of daily paid category often receive identical wage rates. Compensation should correlate with performance, a fundamental principle in Human Resource Management (HRM). Acknowledging the varying physical and mental capacities between genders and individuals, along with factors like education and job complexity, is pivotal in fair remuneration practices. Aligning with best HRM practices is imperative to ensure equitable compensation.

**Proposed Solution:** Achieving a sustainable wage model necessitates comprehensive analysis of real data regarding payment systems and employee demographics across diverse perennial agriculture sectors. A structured research approach is imperative to pinpoint discrepancies between worker expectations and employer payment capacities. Key focus areas include manpower planning strategies, enhancements to recruitment and selection methodologies, adaptable reward/compensation frameworks for the next five years, current performance management techniques, accessibility of training and development initiatives, and retirement plans. While voluntary pension schemes have been suggested, their implementation has been sluggish. Ad-hoc discussions among the three main stakeholders have failed to yield a sustainable resolution, merely serving as a platform for recurrent agitation to meet demands, which is inherently unsustainable. All parties must commit to embracing Human Resources Management principles, recognizing the inadequacies compared to the more enlightened garment industry practices.

## **Progress of the Agricultural Modernization Project:**

The ongoing Agricultural Modernization Project, funded by the World Bank, underscores the adoption of a 'value chain management perspective' to achieve sustainable competitive advantage. This initiative aims to elevate profits above the industry average across all plantation crops by employing strategies such as cost leadership, differentiation, and niche market focus. However, the tea sector often falls short due to a reluctance to embrace value chain management, resulting in suboptimal prices for the globally renowned product.

**Proposed Solution:** It is imperative that officials engaged in the Agricultural Modernization project step up to elucidate the envisioned outcomes and provide detailed justifications for their recommendations. Regulatory bodies, including the agriculture department, the plantation sector, and the Treasury, should establish a dedicated unit to spearhead the project and facilitate the achievement of desired outcomes. The agricultural sector necessitates the establishment of new Key Performance Indicators (KPIs) across all its domains to expedite progress towards the set objectives.

Moving forward, the selection of personnel for the proposed body must adhere to Human Resource Management (HRM) principles, emphasizing the four key elements: structure, strategy, technology, and the recruitment of highly skilled individuals. Furthermore, it is essential to identify and recommend value chain service providers for consultation through this management unit.

## Challenges with the Sri Lanka Standards Institute (SLSI):

The Sri Lanka Standards Institute (SLSI) presents challenges for producers and exporters in the agricultural sector by failing to establish marketing standards conducive to commanding premium prices. This absence of standards adversely affects small-scale exporters, resulting in lower prices for high-quality products and subsequently impacting the ability to offer competitive wages to plantation employees.

Chairman SLSI, Mr. Dr. Asanga Ranasinghe (Chartered Marketer), and Dr. Mrs. Siddhika Senarathne show keen interest in tackling this formidable task, which could significantly enhance export revenue. This initiative has the potential to bolster the "Made in Sri Lanka" label, highlighting ethically processed food and beverages at a time when concerns about cancer are rampant worldwide.

The majority of Sri Lanka's exported tea, spices, vegetables, food, and beverages could capture the attention of discerning consumers in the affordable upscale market if this challenge is addressed. Despite having the lowest gravity and lacking volcanic soils, Sri Lanka boasts incredibly fertile land and a unique climate, resulting in products with high nutrient density and far superior quality compared to those from other countries. Can employers offer better wages without receiving better prices and accessing sustainable markets?

The proposed solution (**TOP URGENT**) lies in the development of marketing standards, such as ISO 9000 (International Quality Standard and Quality Assurance), which is of utmost importance. The apparent lack of personnel is the primary obstacle preventing engagement in the development of national marketing standards, regardless of their significance. It is imperative for forward-thinking politicians to confront this challenge head-on to elevate our exports to health-conscious, sustainable markets. Political leadership is both urgent and crucial in this endeavor.

We've also put forward a digital marketing standard for Hand Made tea, which commands prices exceeding \$100 per kilogram. Known as CCT (Ceylon Certified Tea), this tea category is also referred to as HMB (Herbal Medicinal Beverage). Both the SLTB and the TRI, along with Prof. Nalin Abeysekera from the OUSL and the former chairman and current VP of the Sri Lanka Institute of Marketing, offer their support. Additionally, all value chain consultants at [www.vivonta.lk](http://www.vivonta.lk) have embraced this monumental task and are advocating for it, recognizing that grassroots-level Agripreneurs cannot afford to develop national marketing standards on their own.

The lack of marketing support also impacts the marketing of tea. Only when tea fetches a higher price can employers afford to pay livable wages to their employees.

## **Proposed Alternative Approaches for Attracting and Retaining Plantation Employees:**

Recognizing the critical role of skilled personnel in business success, there's a pressing need to leverage Human Resources Management (HRM) principles in plantation management. Until a universally accepted scientific wage system is implemented, exploring options like guaranteed income, hourly rates, and social security arrangements is necessary. A proposed scientific method, involving collaboration with experts in various fields, aims to enhance employee rewards through job analysis, valuation, and competency mapping techniques.

Proposed solution: We have submitted a comprehensive solution to value the jobs of the daily paid category of workers to the chairman of SLTB few months back. There was a system around 1980 paying due attention to the concept of 'pay for performances' as the HRM concepts including work studies / method studies have been used to assess manual workers daily wages.

### **An Overdue Proposal for Tea Harvesting and remuneration methods:**

A proposal submitted to the Commissioner General of Labor two years ago highlights the need to reassess tea harvesting standards. The current standard, based on daily leaf collection targets, fails to account for challenges faced by workers with familial obligations or weather-related disruptions. A revised approach, considering monthly wage incentives tied to achieving production targets, could significantly motivate workers and enhance productivity.

Proposed solution: Let's consider a standard of 20 kilograms per day for harvesters working 30 days a month, resulting in a monthly production of 600 kilograms. Our proposal suggests offering a fixed monthly wage based on 30 days' work, even if the harvester surpasses the monthly target, ensuring stable monthly earnings. We advocate for providing manual workers with a wage that enables them to live decently. This example pertains specifically to tea harvesting.

The rubber industry in Sri Lanka faces significant challenges, exacerbated by the failure of RRISL to conduct thorough research despite developing a research protocol. This oversight has had numerous adverse effects on the national economy.

A similar situation unfolded in the oil palm cultivation sector, leading to substantial losses for the RPC (Regional Plantation Companies) due to rushed decisions, despite clear warnings from 14 prominent professors across different universities. These losses amounted to billions of LKR, consequently affecting replanting cycles essential for maintaining planned cash flow. We extend our gratitude to Hon Ranil Wickremasinghe, Hon Mahinda Amaraweera, and Hon Mrs. Pavithra Wanniarachchi for countering self-serving political agendas.

Is it justifiable to burden employers with providing full employment and higher wages when the state fails to fulfill its responsibilities effectively?

## **Embracing Sustainable Business Practices:**

In pursuit of a sustainable business model, strategic interventions in Human Resource Management (HRM) are essential for maintaining competitive advantage in the plantation sector.

Advocating for digital marketing standards, such as the establishment of Ceylon Certified Tea (CCT), and leveraging renewable energy sources like solar power, can propel the industry towards generating substantial revenue while preserving the environment.

Investing in mitigating the negative impacts of climate change poses a significant threat to large-scale plantations in the central hills. With the RRISL failing to conduct thorough research to counteract self-serving agendas, growers will likely lose interest in cultivating rubber, risking low carbon sequestration, environmental warming, and a shortage of safe drinking water.

### **Proposed Action:**

**Immediate action is necessary to establish national marketing standards.**

**It is crucial to scrutinize all failures by the RRISL to align with the objectives of the rubber master plan. Holding them accountable for their role in undermining Sri Lankan rubber is imperative for the nation's well-being. Plantation sector requires a new business model ASAP.**

In conclusion, addressing wage disparities and enhancing rewards for plantation workers emerges as an urgent imperative. Given the pivotal role of the plantation industry in Sri Lanka's economy, it is crucial to overhaul management practices to ensure its long-term sustainability. Recognizing the invaluable contributions of plantation workers and fostering collaboration among stakeholders are pivotal steps toward securing a competitive advantage for the industry's enduring prosperity. It is incumbent upon us to embark on concerted efforts to develop a new management paradigm aligned with sustainable principles, thereby safeguarding the industry's legacy for future generations.

### **What is their precise demand: Higher wages or livable wage?**

This article has examined the ramifications of applying HRM principles to delineate suitable and viable wage structures for plantation workers, the potential impacts of recommendations for agricultural modernization, the pressing imperative for marketing standards, and the emergent need for a novel business model to attract and retain talent, albeit briefly. Further solutions have been proposed for each segment discussed. The team of 32+ consultants at Vivonta eagerly stands ready to support the propositions delineated herein.

Both Hon Mahinda Amaraweera M P, The Minister of Plantation and Agriculture, and The Secretary Mr. Janaka Dharmakirthie possess the requisite capacity to confront the formidable challenges briefly elucidated above. It is essential to refrain from solely attributing all the longstanding issues of the 157-year-old plantation sector to the executive alone.

The leader of the Opposition, along with leaders of other political parties and individuals expressing aspirations for the presidency, as well as educated TU leaders, must coalesce into a unified force before the sector dissipates due to geopolitical agendas and the ignorance of our majority misguided voters.

In essence, without contiguous land blocks facilitating mass-scale production, plantations will cease to exist. The absence of plantations, particularly in the environmentally sensitive central hills, can precipitate irreversible damage to the national economy. It is imperative to recognize that the plantation sector hinges upon manual category harvesters (Tea Pluckers, Coconut pickers, rubber tappers, cinnamon peelers, oil palm harvesters, and forestry workers), whose skills represent a latent and dwindling talent pool.

A visionary leader, adept at instilling hope, holds the key to remedying the manifold challenges confronting the plantation sector, leveraging HRM and value chain management perspectives, which constitute the primary objective of the WB-funded Agriculture Modernization Project. There is no need to reinvent the wheel.

