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Challenge the Unknown: The Person who Endures, Conquers the World

Mr. Rohan Pallewatta

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01. INTRODUCTION

‘When there is a pressure from outside life ends, when there is a pressure from inside life begins.’

The concept of Entrepreneurship has emerged as one of the major determinants of the economic development. Recent researches (Dew and Sarasvathy, 2007) state that in modern societies, entrepreneurship and innovation is widely seen as key sources of economic growth and welfare. In present context, entrepreneurs play a pivotal and vital role in any economy by conflating production resources to create wealth. In the Sri Lankan context, there are unique individuals who have been contributing to switch-on our motherland. This is an effort to scan an important individual and well-known entrepreneur in Sri Lanka, Mr. Rohan Pallewatta.

Mr. Rohan Pallewatta is the Executive Chairman/ CEO of Lanka Harness (Pvt) Ltd, a company that manufactures impact sensors for automobile airbags and seat belts. Harness (Pvt) Ltd is the first Sri Lankan company to enter the international market with 1 part per million (ppm) quality standards. The turnover of the company for the financial year 2012 is

recorded at USD 38 million (CA Sri Lanka, 2013). He is an Attorney-at-law by profession, holds a B.A. English (Special) degree and a MBA at Postgraduate Institute of Management, University of Sri Jayewardenepura.

Sociological Overview – Family Background and Education

Mr. Pallewatta was born to a Buddhist family from Gampaha. His parents were Mr. Chandrasiri Pallewatta and Mrs. Ramani Jayakodi. As the only child of his family, he grew up on a very loving and caring environment. He was educated at St. Anthony's College, Kandy. He sat for G.C.E. Ordinary Level Examination in 1986, and thereafter he was awarded a scholarship by The American Field Service to visit Japan. Although he had the opportunity to choose countries like USA, UK, Australia, New Zealand and Japan, Mr. Pallewatta opted for Japan. His decision was mainly based on his love for martial arts and his aspirations to learn a foreign language. During his stay, he was placed with a Japanese host family for a period of one year. As a part of the scholarship program he was given the opportunity to visit the Toyota Corporation at Japan.

02. THE BIRTH OF THE BUSINESS IDEA

Mr. Pallewatta on his business idea:

The Toyota factory ran into kilometers. My first observation was that for a factory of such magnitude, there are only a minimum number of workers and when questioned, I was told that almost all operations were automated. But then, I noticed that inside a large room around four hundred employees were crammed in and were making impact sensors for airbags manually. This is a process that has not been automated and only been done manually.

When questioned as to why the above operation cannot be outsourced to a labour intensive country such as Sri Lanka, he was told that although certain parts of the vehicle maybe outsourced, critical parts such as manufacturing of

the airbag sensors can never be outsourced. Upon Mr. Pallewatta's request, at the end of the tour, he was given three sample airbag impact sensors considering the fact that he was a scholarship recipient. The young Pallewatta's behavior revealed the blend of entrepreneurial characteristics like questioning, passionate, environmental sensitivity and opportunity identification even in his age of sixteen.

Being not successful in his G.C.E Advanced level at the first sitting, he opted to change subjects and selected Japanese as a subject, which in turn proved to be a correct decision. Mr. Pallewatta stated that:

At that time, I took a decision to select Japanese language as a subject for my advanced level instead of main core subject of advanced level examination. Because at that time, I had a sound knowledge of Japanese language and I got to know that, the examiners normally check only the fundamentals of that subject. I entered into the battle with my core competencies and finally, I could harvest maximum from that selection in my second attempt.

He gained entrance to the University of Kelaniya in his second attempt in 1989 to follow a Bachelors Degree in English Language. Since the universities were closed and the Law College was functioning at that time (Pallewatta, 2013), he decided to join the Law College. His application was rejected initially because Japanese was not accepted as a qualifying subject to enter the Law College. With the revision of the admission requirements, he could enroll to the Law College.

Whilst continuing his studies at the University of Kelaniya and Law College, Mr. Pallewatta took a keen interest in dismantling one of the three samples that was given to him during his visit to Toyota. Having written down the components together with the given component number in a piece of paper, he sourced a small quantity of the required materials through friends travelling to Singapore. He made three such sensors manually and dispatched

them to his contact party at Toyota Corporation. Since he did not hear from Toyota after three months of sending the initial package, he made ten more samples and sent them to Toyota for almost one year. Thereafter, having contacted Toyota, he was told that he should never pursue this because it would be an effort in vain, since the manufacturing of air bag sensors would never be outsourced. However, he did not relinquish his effort.

In the meantime, after taking oaths as an Attorney-at-law, he commenced practicing and was earning a lucrative income from this profession. Nevertheless, he felt that his value addition to the Sri Lankan economy was at a very low level and he had in mind that he should open up something that would bring some foreign exchange to the country. Hence, Mr. Pallewatta, with an unfettered determination, again contacted the Toyota Corporation and he was told that 'You are tapping at the wrong door and you are the craziest guy I have ever seen.'

Mr. Pallewatta was also informed that if any outsourcing needs to be done, it should be done with the approval of the Automobile Association of Japan, and it is highly unlikely that he will be given any opportunity at all. At this instance, Mr. Pallewatta was able to obtain a list of contacts of ten airbag sensor suppliers to Toyota in Japan.

Gaining the confidence with this new lead, he manually made ten samples each for all and dispatched them to the purchasing managers of the respective suppliers. Even without receiving any response from those organizations, he continued this exercise as done previously with Toyota until he was contacted by one of the ten suppliers namely, ITO Spring Corporation of Japan confirming that out of the ten samples, only two could be accepted and further explaining the reasons for rejection through a defects analysis report of 32 pages.

Upon scrutinizing the details, Mr. Pallewatta progressed to make ten more samples to this company. Thereafter, he was contacted confirming that out of the ten new samples, only two were defective. With this new development he was requested by the company to manufacture one hundred samples and the manufacturing materials were couriered from Japan. Then, he was requested by the company to manufacture thousand samples. This order continued on a fortnight basis and the order quantities increased gradually paving the way for a remarkable journey.

At this phase of the operations, Mr. Pallewatta could not manually manufacture the increasing number of order quantities. Hence, he was compelled to search for a company which will allow him to manufacture the same in one of their production lines. After a tedious effort to find a willing counterparty for this end, he could enter into a contract with Esjay Electromag (Pvt) Ltd, Meegoda. The owner of Esjay Electromag, Mr. Siri Samarakkody agreed to allow him to use one of his idle production lines and labour. Then, the first order of ten thousand airbag sensors was manufactured in this factory. Within three years, the order quantity has increased to three hundred thousand sensors per month the production continued at the premises of ESjay Electromag.

Mr. Pallewatte then progressed to become a director of ESjay Electromag and was paid ten percent of the invoice value which was a very comfortable footing for him both professionally and personally. In spite of being in this comfort zone, Mr. Pallewatta was always aware of the risk his business was facing. Since there is a possibility that at any time the ITO Spring Corporation, Japan would discontinue doing business with him, he kept on searching for ways and means to obtain a stronger commitment from this Japanese company.

03. JOURNEY TOWARDS REACHING 1PPM QUALITY STANDARDS

1 ppm quality standards means that out of one million parts produced, only one defect can be tolerated. Virtually, a zero defect requirement should be maintained in manufacturing airbag sensors.

Mr. Pallewatta, during his visits to Japan, noticed that the airbag sensors sent by his company are re-inspected prior to dispatching to the automobile companies. Therefore, he suggested Mr. Ito, Chairman of the ITO Spring Company, that they could cut costs drastically if they established an inspection facility in Sri Lanka. In order to upgrade the facility in Sri Lanka to accommodate such a process, the required investment commitment was estimated to be approximately USD 8 million. Given that he did not have the required initial investment, Mr. Pallewatta invited his Japanese partner to invest in Sri Lanka, and unfortunately the investment plan was rejected.

However, Mr. Pallewatta continued his business with ITO Spring Company and in the meantime, Mr. Ito visited Sri Lanka during 2001 to see the proposed facility. On the day of the departure of Mr. Ito, Bandaranaike International Airport was attacked by terrorists. This incident could have impacted negatively on almost all the Sri Lankan business relationships with other countries. Thus, Mr. Pallewatta ensured that Mr. Ito would not be aware the full impact of this security threat, and used his affiliations to mediate the situation, and ensured he departed safely to Japan.

During the height of these terrorist issues, Sri Lanka was labeled as a dangerous tourist destination and heavy insurance surcharge was imposed on ships entering into Sri Lankan ports. After that incident, Mr. Pallewatta was summoned to Japan in order to inform the discontinuation of business ties

with him. On the day prior to that meeting, the World Trade Centre of United States was attacked by terrorists alarming that no place in the world is completely safe. Hence, the decision of discontinuing business never arose at the meeting on the following day. Eventually, Mr. Ito confirmed investment in a factory Sri Lanka.

Lanka Harness (Pvt) Ltd came into existence at Biyagama Export Processing Zone in 2002 with an initial investment of USD 8 million. The entire investment was received from Mr. Ito and no money was borrowed from any bank or lending institute in Sri Lanka. After over ten years of perseverance and dedication to his goal, and 47 visits to Japan, during this period, Mr. Pallewatte finally realized his dream of bringing this new industry to Sri Lanka.

Further, Lanka Harness factory is a well clean and hygienic complex and it is well equipped with sophisticated machinery. The factory was started with approximately 27 employees and currently there are approximately 300 employees in uniform jackets and caps, bent over the work tables assembling components of the impact detection sensors, swiftly and carefully. Every employee is given clear and written instructions of their jobs. There is a flat management structure in this company with no supervisors but only some leaders. Below the Managing Director and the Japanese factory manager, there is no any middle management layer in the company.

Lanka Harness can be identified as one of the strong landmarks of export oriented companies in the Sri Lankan economy which generates millions of foreign income. Mr. Pallewatta brings the pride of delivering 1ppm quality standard to the world through his products with a deep sense of personal responsibility. He has initiated and opened up a new window to the Sri Lankan economy to see the world. He can be identified as a person who is

passionate on achievements rather than maximizing profits or any other short sighted objectives. In addition, Mr. Pallewatta stated that:

I have sent all my employees to Japan for training them in order to maintain 1ppm quality standard, so that I have a fully committed and loyal human capital to operate my business. Even though I am at a blue ocean condition right now, I am concerned about the continuous development of our product, process and every step pertaining to this product. We know that there is a big issue in the business sector pertaining to the foreign based training. Most of the trainees make relationships and join with foreign companies while leaving the local company that sent them for training. I'm happy to say that, there is no such incidents occurred in my company. Even though I am a lawyer, I never use very critical agreements for managing my employees. My relationship with my employees solely based on the trust and that is why I have not placed a single CCTV camera within the premises of the factory.

The employees of the Lanka Harness stated that they can talk to Mr. Pallewatta at any time of the day. They are allowed to discuss any personal as well as official matters directly with Mr. Pallewatta, despite their position within the company. This is a very rare virtue that must be appreciated in the leadership style of Mr. Pallewatta.

In addition, the view of Mr. Pallewatta regarding the corporate social responsibility (CSR) activities is entirely different from others. He stated that:

I believe in doing CSR for my internal employees. They are very poor and they need the financial assistance. Therefore, I help them to upgrade the quality of their lives. Whenever I have fulfilled these needs of my internal employees, I might consider doing CSR for the external parties.

He believes that without a very good and close relationship with the employees he would never have reached this quality standard. His visionary thinking, the way of managing risk, adopting strategies and the application of principles of management have reflected in this statement.

Mr. Pallewatta's innovative thinking and the high quality standards of his products have paved the way for him to reach into new markets and expand his operations. Furthermore, he mentioned that he is concerned about an innovative but safety solution rather than a particular product or particular part of a product or a process. The aesthetic aspects of the production plant, the administrative complex and the surroundings facilitate a very good environment for the employees and other staff by facilitating them to be creative and relaxed. In addition, he mentioned that the creativity and innovation are the keys to be successful. Furthermore, he pointed out that:

Even though I am in a blue ocean condition, I am searching new options to switch on my company to the world in an innovative manner. So, my advice for the young and present business initiatives is to do innovations and use creativity and innovations as business strategies, empower the creativity and innovations to obtain competitive advantages over your competitors. Otherwise, you might have to struggle in a red ocean.

Therefore, Mr. Pallewatta's perception and applications on creativity and innovations are very closer to the attributes presented by John Schumpeter in 1961, 'Upsets perfectly competitive markets by carrying out new combinations of the means of production and credit...with perennial gale of creative destruction.'

04. VISION FOR SELF, FAMILY, NATION AND WORLD

Mr. Pallewatta is an individual who highly values simplicity in life. The following statement made by him reflects that his philosophy of life seems to have inculcated in his behavior as well:

Some people ask me regarding the level of stress and strategies that I follow to balance my business activities and family matters. And they ask me, whether I am able to have a good sleep with all these business matters. I would like to say that there is no any special strategy to balance business matters and family matters and there is no any method to overcome issues because there is no such issue in my life. I don't have two separate lives as

my personal life and career life. There is nothing for me to balance because I believe office as an extension of my home. Normally, I report to office by early in the morning and start my work with the staff. There is a morning briefing where we discuss all the special things happened yesterday other than the matters on quality and safety. In the evenings, I enjoy with my family members and relatives. In addition to that, I love music and I use music for relaxation as well.

There are some unique characteristics of Mr. Pallewatta as perseverance and a 'Can Do' attitude which have been highlighted throughout many instances in his life. His resilience can be highlighted as one of his greatest strengths. Further, he projects a great level of humility in everything he does. His vision for self and family is to continue this legacy of success but with a firm footing in reality and following the teachings of Lord Buddha.

In addition, he strongly holds humility as a key virtue in life. He is a family man strongly tied to his family and he mentioned that his father is his role model of life. Further, Mr. Pallewatta strongly believes in respecting individuals and boosting their self-esteem. He mentioned that,

“Our organization was built on a trust culture and since I’m of the view that human beings should not be monitored, the company does not have a supervisory grade.”

Such attitude towards employees is extremely rare in any organizations today. His profound ability to earn respect from others enables him to have trustworthy relationships with other individuals.

05. ACHIEVEMENTS

The Junior Chamber International awarded most prestigious 'TOYP Award 2006' for Business and Entrepreneurial accomplishment. In May 2013, he

was awarded by the 'Platinum Honour 2013' by the Alumni Association of Postgraduate Institute of Management.

Further, the excellent quality standard of his product is awarded with ISO 9001:2008, the significant environmental management system of the company is awarded with ISO 14001:2004 and the company has obtained ISO 18000:2007 for its occupational health and safety management system.

06. LESSONS FOR YOUNG ENTREPRENEURS

As a successful entrepreneur in Sri Lanka, his advice for the young entrepreneurs is that:

Innovation is the buzz word. It is actually either innovate or perish. Innovation is something that comes within. Keep in mind, innovation is not just invention rather it can be a small improvement but novelty should be there. So, never be afraid to confront your imagination and always be initiative. All great things happen from within. Think about an egg. When there is a pressure from outside life ends, but when there is a pressure inside life begins.

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