

# THE DEMISE OF THE MANAGING AGENT – IS IT A PARADIGM SHIFT?

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The commercial sector in Sri Lanka, long regarded as the engine that pushed economic growth in the island, was almost up to the end of the last century dominated by agency houses, a relic of colonial days.

When the country then known as Ceylon was flourishing within a global economy dominated by US and British interests up to the middle of the twentieth century, its plantation driven economy was managed largely by agency houses. Companies like George Steuarts, Carson Cumberbatch, Whittalls, Gordon Frazer, Bosanquet and Skrine (subsequently merged with Whittalls), Hayleys, Mackwoods, Leechmans, and others were managing agents acting on behalf of plantation companies or proprietary planters in managing and operating estates.

Income from the plantation sector dominated the national budget. With the granting of independence to the erstwhile colony, and the gradual withdrawal of British management, the role of the managing agent seemed to have gradually diminished, the *coup de grace* finally delivered by the imposition of Land Reform in the mid 1970s.

Meanwhile the relevance of the estate management model remained unquestioned and unaltered, and the centuries old estate management model continued merrily along. Class stratification within the estate itself which was seen as a *sine qua non* for effective human resource management within the estate, continued as before.

For instance the Superintendent and his assistants were forbidden to socialise with other significant personnel involved in the production process, such as the factory officer, the clerical staff et al. These social taboos were introduced and maintained despite the fact that most often the Superintendent and his family lived on estates in the “middle of nowhere” and like most humans would have loved the social contacts with people of a similar social background.

The colonialist however sought to mitigate the impact of social isolation by encouraging the formation and maintenance of ‘planters clubs’. Some of these clubs have virtually become extinct due to lack of patronage. However the taboos on inter class social activity on the same estate continues to some degree at least. And this despite the fact that planters recruited locally would not feel the need for ‘after hours’ social opportunities to the same degree as an expat planter.

The role of the managing agent itself appeared to be less lucrative, and with the takeover of estates was rendered completely redundant. Companies whose main business was estate management, and around which other ancillary business activities were founded and carefully nurtured, seemed to struggle for existence, many having to shut down.

Some managing agents like Aitken Spence, Hayleys, and John Keells have done admirably well in meeting the new challenges. They have diversified into the expanding tourism sector, and in the production of goods and services for the household sector, an area which the original model seemed to treat with studied aloofness.

Most former managing agents owned real estate in desirable areas of the metropolis, and some did cash in on the real estate assets. A very old agency house Lee Hedges (later amalgamated to form Shaw Wallace and Hedges) which owned a large tract of land from Galle Road to Duplication Road in Kollupitiya, chose the easy way out in an

## THREE FOUNDERS OF AGENCY HOUSES IN THE NINETEENTH CENTURY.



George Steuart



Francis Mackwood



RB Carson

environment not conducive to traditional business activity, by shutting down its trading activities and instead dabbling in the real estate market!

Some of these changes were also shadowed by another phenomenon the loss of relevance of British products in a global economy where countries of the East such as Japan, China, and Korea were playing an increasingly significant role. In India too, post colonial trends saw the almost complete disappearance of the managing agent. Companies such as Shaw Wallace and Andrew Yule were gradually losing their dominance as did the East

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India Company long associated with the ascendancy of British commercial interests in the country.

In Sri Lanka, the slow disappearance of agency houses seem to have occurred without adequate scrutiny and analysis of the underlying causes. A new phenomenon which according to local lore is playing a dominant but corrosive impact on economic development is the gradual underlying emerging trend of a new aspect of business relations viz corruption. This has been observed in India and in Sri Lanka, as well as other post colonial nations.

While the managing agent model, was largely fitted with checks and balance that prevented corruption, the business sector that has arisen in its place do not seem to have adequate safeguards in that regard. Whether the situation requires governmental intervention through legislative enactments, or whether the emergent structure needs study and analysis prior to effective action, seem to be a moot point requiring closer scrutiny.