Best Practices for Small and Medium Scale Enterprise Success: A Study Based on Restaurant Sector in Sri Lanka

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ABSTRACT

The best practices in the organizations have gained momentum amongst entrepreneurship scholars, but much of the benchmarking literature is about large firms. The purpose of this qualitative multiple case study research aims to explore the best practices of successful SME restaurants in Sri Lanka. The research is based on social reality, which is closely aligned with the critical realism philosophy. The purposive sampling method was used to recruit participants in the study. Twenty-eight interviews were conducted with the owner of the restaurant, manager and two customers from each case. In addition to that, the researcher kept notes of any notable observations. The data were analysed using a thematic approach. The best practices found in this research were categorised into five major themes: leadership, process management, people management, strategies and social responsibility. The findings illustrate by which best practices SME restaurants attempt to incorporate into their overall business strategy. The practical motivators in this effort are exemplified and benchmarked.

Keywords: Best practices, Case study, Restaurant industry, Small and medium scale enterprise, Qualitative.

INTRODUCTION

The small and medium scale enterprises (SME) sector play a dynamic role in economic and social development in any country. It is considered a leading source of employment, income generation, innovation and technological advancement (Pushpakumari, 2008). SMEs are primarily labour-intensive and can be established with comparatively less capital. The Small and Medium Enterprises (SME.s) sector in Sri Lanka plays an essential role in the economy. According to the overall policy objectives of the Government of Sri Lanka, SME the sector has been identified as a critical sector to be developed as it contributes to regional development, employment generation, poverty reduction, innovation, and provide more opportunity for women and youth participation in the country. Sri Lanka National Policy framework for SME's remarks that SMEs are an essential source of employment opportunities and are estimated to contribute about 45% of employment in the country (National Policy Framework for Small and Medium Scale Enterprise Development, 2015). The definition of SME's differs from country to country based on the level of development of the country. Some of the generally used measures are the total number of employees, annual turnover and total investment. The SME policy framework of Sri Lanka defines SMEs based on the number of employees and annual turnover. SME's are described in this study as enterprises that employ less than 300 employees with a turnover not exceeding Rs.750 Mn (National Policy Framework for Small and Medium Scale Enterprise Development, 2017). The Government Vision 2025- Strategies for SME Development has mentioned that "We will establish a conducive institutional framework for SMEs to flourish in the tourism industry" (SLTDA, 2018). It has been recognised that

over 90% of all tourist establishments are SMEs. (Institutional and regulatory framework relating to the SME sector in Sri Lanka, 2019) Further, 81.52% of the total tourism-based direct employment are from the hotel and restaurant sector (SLTDA 2019).

The majority of small businesses have moderate to low growth ambitions, hence only a tiny proportion of enterprises was capable of achieving the desired growth. Further, World Bank highlighted that within eight years of receiving a Small and Medium Investment loan to SMEs in Sri Lanka, more than 80% of the SMEs got their loan frozen (Task Force for SME Sector Development Program, 2002). It shows that the SME sector in Sri Lanka has a high failure rate, and their performance is not up to expectation (Jayathilake, 2017). At the same time, many issues affect small businesses, restaurants in the tourism sector experience more unpredictability than most other industries. Risks faced by those in the tourism industry are different due to seasonality and the strong impact of external factors (Olaison & Sorensen, 2014). The exit rate of businesses operating in the restaurant sector, for example, was the fourth-highest for the periods 2010-2020 in Sri Lanka (Jayathilake, 2017). In this setting, the search for good practice in the SME sector has become important as firms undestand that to keep up or become successful, they need to look at the practices of good performers. Benchmarking has become synonymous with successful performance, but much of the benchmarking literature is about large firms. Furthermore, most of the benchmarking studies have been applied to manufacturing industries with limited application among small firms in the restaurant industry. Therefore, this study explores the best practices adopted by successful SME restaurants in Sri Lanka, where little research has previously been undertaken.

LITERATURE REVIEW

The success of the SME sector

Success is the most important thing in the field of business, although it is not always clearly specified. Even though success is often used in business studies to refer to a firm's financial performance, there is the standard definition of success, and business success has been defined in many ways. Some studies have highlighted at least two main dimensions of success:1) financial vs other success, and 2) short- vs long-term success. Therefore, success can have different forms: survival, profit, return on investment, sales growth, number of employees, happiness, reputation, etc. (Chittithaworn, Islam, Keawchana, & Yusuf, 2011). In Nigeria, business success was defined based on the survival of the first three years that the company was in business. The 'successful' entrepreneur is defined as an individual who started and continued for at least five years to the present profit-making structure in Ghana. In this setting, business success is mainly defined using financial measures in terms of sales, profits, asset value, number of employees and survival rates; Non-financial measures, such as customer satisfaction, personal development and personal achievement, were rarely used (Oyedele, Oduyoye, Asikhia, Kabuoh, & Gloria, 2014). It has discoursed that even though many indices might have been used as the criteria of success, continuity or survival in the business is the all persuasive quality (Lonita, 2013, Oyedele, Oduyoye, Asikhia, Kabuoh, & Gloria, 2014). A significant number of studies in entrepreneurship have also equated entrepreneurial success to the idea of survival (Lonita, 2013).

There is no systematic information from Sri Lanka for the failure rate of SMEs, but one study showed that business failure in SMEs is around 45% (Lussier, Bandara & Marom, 2016). Even in the USA, 40% of startups do not survive, passing the second year (Lussier, Bandara & Marom, 2016). According to statistics from USA, half of all new establishments survive five years or more, and about one-third survive ten years or more. Further, around 90% of Indian startups fail within the first five years. Accepting this harsh reality and understanding why most startups fail is imperative to all prospective entrepreneurs. Understanding the success

factors and best practices enables entrepreneurs to prepare better and improve their chances of success (Lussier, Bandara & Marom, 2016).

Data from USA between 1996 and 1999 shows that 59% of businesses fail in the restaurant sector within three years (Marom and Lussier, 2014). The first year is the highest level of failure, which is recorded as 26%, 19% in the second and 14% in the third year of business (Parsa, Self, Njite, & King, 2005). Findings based on 1.9 million microdata for 81,000 full-service restaurants in the US shows that only 17 per cent of a new establishment in the restaurant sector failed in their first year, compared with 19 per cent for all other service providing startups (Marom and Lussier, 2014). Thus, the average survival rate of restaurants is about 4.5 years, a little longer than the other service-related businesses (4.25 years). Another study in the USA in 1991 has shown that 50% to 80% of businesses would fail before their first anniversary. That would leave 30 restaurants open in year two. However, half of these 30 would collapse in the following year, and a final third of those remaining would fail in their third year. As a result, only 10 of the original 100 restaurants would remain open after just three years. As a result, there is about a 90 per cent compound failure rate over the first three years of a restaurant's lifespan (Muller & Woods, 1991).

Best Practices of SME Success

Based on the findings of earlier research, the factors affecting SME business success were classified into ten categories: (1) entrepreneur characteristics, (2) characteristics of SME., (3) management and know-how, (4) products and services, (5) customers and markets, (6) the way of doing business and cooperation. (7) resources and finance. (8) strategy, (9) external environment, and (10) internet (Chittithaworn, Islam, Keawchana, & Yusuf, 2011). Further, Chittithaworn, Islam, Keawchana, & Yusuf (2011) revealed that SMEs characteristics, customers and markets, the way of doing business & cooperation, resources and finance, and the external environment have a significant positive effect on SMEs' business

success in Thailand. In contrast, management know-how, product and services, and strategy were found to have no significant impact on SMEs' business success (Chittithaworn, Islam, Keawchana, & Yusuf, 2011). Moreover, evidence shows that SMEs are lagging in adopting digital technologies (Marom and Lussier, 2014. For example, enterprise resource planning (ERP) software applications to manage business information flows are popular among large firms (more than 75% adoption rate in 2014) but less used by SMEs (less than 20%) in OECD countries (Lonita, 2013).

In Sri Lanka, in order to be a successful business, there should be pre-business planning and taking up to date reliable accounting data, adequate financial and human resource management practices, and sufficient commitment towards the business by their of owners. A lack of the above factors causes a failure of a company. Some businesses have failed due to business expansion, disputes among business partners, inventory management issues, economic recessions, lack of business and management experience, inadequate startup capital, lack of marketing skills and knowledge (Lussier, Bandara & Marom, 2016).

In this setting, the quantity of knowledge that these studies contribute is appreciable, and each has added new dimensions to existing literature. Extensive research has been carried out on the topic of business success factors and mainly focused on the characteristics of successful large corporations in the manufacturing sectors to identify best practices for others to compete with**.** At the same time, numerous studies created knowledge through quantitative research in the field, and few studies adopted qualitative methods. SME related research showed an increasing trend in the past decade, but different theories and perspectives were used with the studies based on the sociological and economic aspects; accordingly, research findings also had variation between them. A majority of researchers used an economic perspective rather than a sociological one. Therefore, this

research focuses on addressing these previous gaps considering the question: What are the most frequently used best practices in Sri Lankan SME restaurants?

Theoretical Framework

Effectuation theory is well applicable to all entrepreneurs in any industry. The success or unsuccessfulness of a business greatly depends on the method of thinking and decision-making in entrepreneurship (Sarasvathy, 2001). Especially entrepreneur's traits, knowledge, experience, their social and professional network are cause the success of a business. Effectual thinking happens in an individual's mind when thinking of deciding without any predictive control (Sarasvathy, 2001). Effectual thinking can be used in creating products, markets and ventures specifically in an uncertain situation. Effectual thinking is not the prescriptive technique (e.g. do this or do that) but a heuristic that is uniquely and universally applicable to types of challenges faced by entrepreneurs. Therefore, this study's major argument is whether a majority of SME entrepreneurs are effectual thinkers.

The European Business Excellence Model was introduced in 1991 by the European Foundation for Quality Management. The model assesses how a company manages its business in terms of leadership, people management, policy and strategy, processes, and resources (Sternad, Krenn, and Schmid, 2017). It then considers its results in terms of people satisfaction, customer satisfaction, impact on society, and business results. Each business excellence criterion in the model would be helped as the foundation of the current study.

The model of SME core capabilities is powerfully relevant to this study. Empirical research done to understand the best practices and challenges of implementing best practices in hospitality and tourism SMEs has resulted in the development of the model, which identifies seven core capabilities pertinent to the execution of best practices and the achievement of high performance (Hwang &

Lockwood, 2006). First, all SMEs need to have a clear idea of their customers and how they will fulfil their needs. This will lead to clear goals for the company built around the customer. Second, efficient and transparent policies and procedures for handling resources should be implemented. Third, developing co-operative activities with other companies are not only used as marketing communication techniques, but these networks can also be used to achieve business goals through the proactive involvement of all stakeholders. The model also suggests that a strategic approach to workforce management, including delegation, multi-skilling, and training, helps achieve consistent standards and provide timely, reliable, responsive and competent service. Finally, by the effective direction of cash flow and performance, the company's strategic vision becomes more achievable, and the self-reinforcing cycle begins again (Hwang & Lockwood, 2006).

METHODOLOGY

This research is based on critical realism research philosophy. Critical realist research methods are primarily focused on understanding, rather than merely describing, social reality. The research problem of this study is a current prevailing problem, and the researcher has no control over the relevant behaviours. Therefore, a case study approach was most appropriate to find the answers to research questions. A qualitative study was carried out with seven restaurants whose activities was judged to represent best practices in this field selected as cases for investigation. Successful small and medium scale restaurants were investigated as cases, and its boundaries were identified as follows,

Inclusion criteria
• Local small and medium scale restaurants in Gampaha District in Sri Lanka which have 10 - 200 employees (National Policy Framework for Small and Medium Scale Enterprise Development, 2015).
• Sri Lanka tourism board approved Grade A restaurants

• Only Fine dining, Casual style dining, Fast-casual dining and Buffet type restaurants were considered

Exclusion criteria
• Restaurants that were affiliated with well-established hotels or any other organisation
• Microscale restaurants that have less than ten employees were not considered. (National Policy Framework for Small and Medium Scale Enterprise Development, 2015).

Initial contacts were made with restaurant managers after visiting selected restaurants as part of an initial study. Twenty-eight interviews were conduct with owner, managers and two customers from each case. Most of the time, interviews were conducted early morning or evening since they were busy during rush hours. Getting appointments from managers were somewhat easy when compared to the owners' appointments. The average interview time for the owner and manager was around one hour each. For a customer, the average interview time was around 15 minutes. Apart from the interviews, observations were also done.

Once the interviews had taken place, transcribing was done by the researcher to reduce unnecessary data. Transcribing own data helps build knowledge of the data and saves the time incurred in editing the transcriptions done by another person. In addition, it helped the researcher gain familiarity with the content of the interviews. Afterwards, the completed transcripts for each restaurant were read thoroughly to identify the broad themes and patterns related to research questions. This research involves a combination of priori or theoretically derived codes.

Few strategies were used to ensure reliability and validity. First, the initial study was conducted to inspect the selected restaurant to ensure whether those restaurants were really complying with the selection criteria of this research. Second, unclear information which was found in interviews were made clear by calling to the respective interviewees. Third, when collecting data for this study, data triangulation was carried out by interviewing different data sources such as restaurant owners, restaurant employees, and customers in one particular restaurant. Finally, two different data collection methods, such as in-depth interviews and direct observations were carried out to collect data (Stake, 2006). The ethical procedure was followed throughout the research process.

FINDINGS

The main five themes, namely leadership, process management, people management, strategy and social responsibility, were derived from the cases and literature, especially European Business Excellence Model (Mann, 1998).

Leadership

Leadership is one of the main themes identified in this study because best practices are initially generated from the leaders of an organisation. Leadership relates to the behaviour of the executive team and all other managers in as much as how leaders develop and clarify a statement of vision that proposes total quality and continuous improvement which the organisation and its people can achieve (Mann, 1998). Under leadership, two sub-themes (main practices) were identified as related to best practices. They are the high involvement of the owner and the networking in the industry professionals.

High involvement of the owner

Good owners would be there to lend a helping hand to their staff in busy times. Following are some shreds of evidence regarding owner involvement in the restaurant.

"Firstly, I show my employees how to do things. Then they work with me and follow me. Later on they try to do the same as me or better " (Owner- Case Study C).

"Thaththa is always with the business, and business is a part of him. He enjoys working in the restaurant" (Manager- Case Study D).

When owners take the initiative to get involved in restaurant activities, it is a source of

inspiration for the staff. Seeing their boss do the same things they do also gives a sense that everyone's role is equally important. By conversing with the boss and observing him/her, they gain experience in doing tasks better. It is important to be approachable to everyone. As a result, employees feel that they are not alone in difficult times. This best practice is highly related to the effectuation theory, which discusses the entrepreneurs' traits, knowledge, abilities, and relationships. Leaders/entrepreneurs are experts in their fields, so they are always involved in their businesses (Sarasvathy, 2001).

Networking with industry professionals

From questioning, it became evident that many successful owners had to seek the help of more experienced contenders in the field. Most owners had the comfort and fortune of personally knowing such people and receiving their help setting up operations. In the case of on owner, his friend, who was an expert at the time, had even helped in cooking. Sometimes experts who are indirectly connected with the industry, like suppliers and architects, could be resourceful in setting up a business.

> "There was a friend I knew. He's an expert. He's got a lot of experience in this industry. He helped me in the beginning. He cooked at the beginning of the restaurant" (Owner- Case Study C).

> "In the initial steps of our business, one of our suppliers helped me a lot to develop my business. He had good product knowledge too" (Owner- Case Study D).

The most practical way of finding out the best way how things are done is to ask experts. Experts can add a historical perspective as they have experienced ups and downs in the industry. They will be able to anticipate trends and predict how they will affect a new business. They can impart their vast knowledge. Furthermore, they will be able to bring an outsider's fresh view to a business situation. An owner can leverage this knowledge together with an outsider's perspective to his advantage. This practice of leaders also has been identified as a principle of Effectuation theory. The theory is called a bird in the hand, which says; who I am, what I know and whom I know from the entrepreneurs' side (Sarasvathy, 2001).

Process Management

The second main area of best practices in an organisation is process management. Processes management concerns how the organisation designs, manages and improves its activities and processes in order to satisfy its customers and other stakeholders (Wongrassamee, 2003). Five sub-themes were identified under process management.

Permanent, reliable supplier base

The leading practice of process management is maintaining a reliable supplier base. This practice is mainly discussed in supplier chain management literature. Those researchers say that a healthy relationship with suppliers positively impact business success and improves quality-related performance (Ekaterina, Daria and Wim 2021). The heads of operations, who have been in the business for many years, believe that the quality of supplied ingredients is assured by having trusted and established sellers. Trust is an integral part of a good relationship with the seller. The supplier may be a nationally certified corporation or a local shop. Quality and uninterrupted suppliers are the key features.

> "We have our own suppliers. For meat and fish, we have to go and buy. There's a meat shop nearby. They give us the best. We trust them. They give us fresh meat. The animal is killed by showing us. That's why the food here is so delicious…" (Manager- Case Study C).

The quality of a raw material that goes to a finished manufactured product is as important as the reliability of the entire production process. It is important to maintain the same taste in signature dishes. e.g., the fried chicken should taste the same irrespective of the source of chicken. Customers may disagree with a change in taste.

Maintaining good personal hygiene

Managers talked about the importance of personal hygiene. Therefore, they make workers take precautions with regards to their hygiene, like shaving and clipping nails. In addition, attention is given to personal protection like masks and caps. These precautions are regularly supervised.

"…*They should wear the uniform properly. They need to be clean and shaven. Their naisl have to be cut. In the kitchen, you have to put on the mask and caps. Section head is responsible for looking at those things often" (Manager- Case Study A).*

"*We are thorough on personal hygiene, and we have provided caps, masks, uniforms to our kitchen staff" (Manager- Case Study D).*

A particular restaurant manager of Case Study E calls in external experts to educate staff on the importance of food hygiene and train them on measures.

"*PHI has been conducting a meeting once every six months to educate employees. The PHI teaches them about cleanliness, hygiene, hand washing and overall food safety." (Manager- Case Study E).*

Personal hygiene is vital to prevent food contamination. Personal hygiene is how one cares for your body. This practice includes bathing, washing your hands, brushing your teeth, and more. Even healthy people carry food contaminating bacteria on them. So it's essential to take steps to prevent such bacteria from entering food. Simple measures like washing hands, trimming hair and nails wearing personal protection are critical and influential. In addition, there are national regulations that have to be met by all food handlers. A research study showed that good knowledge and practice of food hygiene and safety by food handlers in restaurants in Benin City, but still it says there is a need for improvement through training and retraining of food handlers by the management of the restaurants and the local government authorities (Isara, Isah and Lofor , 2010).

Maintaining the freshness of the foods

Maintaining the freshness of food is essential to increase the satisfaction of customers. Namkung (2008) revealed that appealing food presentation, taste, freshness, spatial seating arrangement are imperative attributes in contributing to the high satisfaction of diners. It is customary to make dishes from freshly purchased ingredients, especially in meat and fish. Most managers who run restaurants feel that cooking fresh meat and fish has its flavour, which contributes to the overall taste.

"*…. Meat and fish are stored only for two days in our restaurants. Frozen meat and fish don't give a good taste. …"* (*Manager- Case Study B).*

Restaurant owners are proud that their experienced chefs can make dishes then and there instead of doing the final touches of dishes that had been readied to a certain extent in advance. For example, meat dishes may have had the meat cut and marinated way in advance.

"*The other thing is that in most restaurants, the fish/meat is cut and chopped the previous day. But we do not. Our experienced chef can cut fish and meat at any time at the right weight. Therefore, we cut the fish once the customer makes the order for the dish. We don't portion the food and store…" (Owner- Case Study A).*

Food prepared at short notice are more hygienic as they have minimum contact with food handlers and have undergone less storage, both reducing the chances of contamination.

"*The other thing is that we make our own curry powder and spices. That's why the food is delicious. Then our food tastes like homemade food*" (*Manager- Case Study C).*

In the Sri Lankan setting, essential ingredients like condiment mixes can be made in the kitchen. However, the ratio and quality of spices determine their final flavour. A lot of hard labour goes into drying, pounding and grinding spices. The homemade spice mix product could be the difference in the end product, the dish. Hence, a homemade

ingredient would prove to be a secret ingredient that defines the restaurant's success.

Customised in service

Managers tend to go beyond the standard menu in some instances. For example, in a Chinese restaurant, case study B, occasionally, a guest may prefer something else. In such a situation, alternate options are suggested and prepared to keep such a guest happy. People are increasingly concerned about their health. Menus have to be flexible to accommodate the requests of such guests, e.g., Serving Sugar with complimentary beverages. In the case of families with small children, they may have to serve less spicy food for the children. In the case of catering at special events such as parties, customers are given a larger range and more flexibility in terms of the menu.

"We serve Chinese food here, but sometimes we go out of the menu. Few people don't like this Chinese menu. So ask about other food. So I recommend other dishes. They are out of the menu. Most of the time, foreigners don't eat Chinese. Then I offer them green vegetables and western food. I have made a special menu for them (Manager- Case Study B).

Menu flexibility is an essential aspect of customer satisfaction. Care has been taken to attend to every customer's needs. Customer needs vary. For example, there can be health-related needs as some people are allergic to commonly used food items like peanuts, seafood and monosodium glutamate. There should be options for them. Staff should be flexible enough to make minor adjustments like making dishes without onions and tomatoes etc.

Maintaining a customer database

In some restaurants, a list of patrons is kept in the system for future reference. Details such as phone number and address are entered. Special comments are also added. In this Case, a facial expression is added to the contact details, which best describes the customers' temperament. For example, if a customer is a regular complainer, they would know how to

deal with them beforehand. Such kind of practice was in Case study A.

"we have the details of every customer who comes to us. When they call us, we can see the details. A facial expression will show us what a customer is. That way, we can identify the customer. That's how we react to them. If s/he is a frequent complainer, we have to deal with them very carefully" (Owner- Case Study A).

Uncovering core data of customers ordering behaviour and grouping them into segments help execute effective marketing campaigns. For example, emails can be sent informing customers of the latest promotions and new additions to the menu. Further, feedback of customers' most recent experiences can be obtained. Based on that, restaurants can improve and treat different customers differently.

People Management

The third main area of best practices in an organisation is people management. People Management regards how the organisation handles its employees and develops its people's knowledge and full potential to continuously improve its business (Wongrassamee 2003). Three sub-themes were identified under the central theme of people management.

Recruiting of well experienced and talented chefs and cooks

The heads of operations strongly feel that employing experienced staff has a significant effect on quality. One owner thinks that professional and experienced chefs can efficiently prepare dishes in a relatively shorter duration as they are skilled in their job. This enables them to serve fresh meals.

"We get the best-experienced people as our chefs. Some of our employees are foreigners. We recruit Indians, Chinese, Nepalese chefs because we need to serve quality products, especially as Chinese and Indian food" (Manager- Case Study D).

A well-experienced workforce saves restaurants' money and increases profitability.

In the Sri Lankan setting, many people who enter the industry possess informal training. As there are few training schools and those who receive such activity go overseas. Hence, finding experienced ones is vital. For instance, experienced cooks should always handle food safely and prepare them well, whereas waiters will regularly serve customers courteously.

Paying Employees Well

Owners that were interviewed understand the importance of fair wages. Paying on time and handing out bonuses for additional work are an incentive for employers to stay.

"We give salaries on time to employees. Most of the other places don't give salaries on time. So it helps to retain our employees" (Owner- Case Study D).

"When we have special orders, we give special payments to our employees" (Manager- Case Study D).

For workers', their wages are the primary source of income. They spend that money on their personal expenses and on their families. An employee could be the sole source of income for many people who are connected to him/her.

As per the interviewees, almost all employees are paid with a service charge. It was noticed as a good practice in case study A, which used service charge rates to motivate the employees.

"Most people do not give service charges at actual rates. But we will mention their service charges on the notice board with our sales details. If sales are low, then their service charge is low. If sales are high, their service charges are also high. So they can understand it" (Owner-Case Study A).

Further, here managers spoke about what they do with tips. Most of them allow those who receive it to keep it, unlike most places where tips are pooled and distributed equally. They do the same with delivery fees. They also feel that tips are aimed at the particular individual who provided the service as a token of appreciation by customers, which they deserve to keep.

"We don't get the tip of stewards. And the delivery charge is also given to the delivery people. And we give service charge for all the employees" (Manager- Case Study D).

Tips are tokens of appreciation presented by customers to those employees who have served them well. Our participants are generous by allowing employees to keep tips amidst reports of some restaurants retaining a portion of it. This practise enables employees to enjoy the fact they are being appreciated for their hard work.

The Friendly Culture within the Restaurant

Managers interviewed here admitted that they are friendly towards their subordinates.

"I'm very friendly with my employees" (Manager –Case Study B.)

"Owner is very supportive and friendly. It doesn't make much difference to us that he is the boss. He works with us" (Manager- Case Study C).

"...we are very friendly with them. I think it should be a part of all managers. It's commonsense" (Manager-Case Study D).

People spend a lot of time in the workplace but generally feel a distance between co-workers. There are benefits of being friendly in the workplace. Being nice is about treating all with respect. Everyone's ideas and values should be considered. Being an active listener and encouraging employees to share their thoughts is good practice. Playing team sports or having relaxation sessions can be used as a tension release and team binding activity.

Strategies

The fourth main area of best practices in an organisation is Strategies. Strategy reviews the organisation's mission, values, vision and strategic direction, how the organisation implements its vision and mission via the concepts of total quality and continuous improvement (Mann, 1998). Five sub-themes were identified under the central theme of strategy related best practices.

Keep only Enough Space in the Restaurant

The owner of case study A believes that making a restaurant appear busy is fruitful. It's based on his father's past experiences.

> *"My father told me not to expand the restaurant. You want to show that it's always full" (Owner- Case Study A).*

Making a place look full with customers gives an impression that it's a place worth dining at. Owners have learnt this fact by experience. They have even gone to the extent of not expanding their size to make it seem full. Other strategies that can be used to do the same are to have promotions and live food stations like barbeques at the entrance.

Develop a New Concept with the Restaurant

The two restaurants considered here are different according to their owners in case studies A and B because they have added a musical entertainment element to the dining experience. One has selected a theme of a legendary pop star, and the other has laid out a club concept where customers can dine, sing and dance under one roof. These concepts are developed after conducting good market surveys and with the gathered information.

> *"To open an outlet in Ja-Ela, we did a good survey of that area…The other thing was that they liked Elvis a lot. So we marketed an Elvis theme at the Ja-Ela branch. Likewise, we'll get into new concepts when we do the next outlet" (Owner- Case Study A).*

> *"This restaurant is different from the others. This is a club type restaurant. It's a party environment in which you can have dinner as well. You can eat, drink, sing and dance" (Manager- Case Study B).*

Marketing restaurants has changed dramatically over the years. For example, the above quotations show that the restaurant's primary operations are linked with musical entertainment to the dining experience to attract customers.

Unique Dishes/ Product Categories

Unique preparations are those that have an identity that is strongly associated with the restaurant. They may be found only in a particular place. These are known as "Signature dishes". These allow the customer to experience something unique. Many of the Heads of the restaurants mentioned their unique dishes, and the following are some of them,

> *"Their special seafood rice is great. It's a great meal. Everything's fine with it" (Customer- Case Study A).*

> *"Our cheese koththu and devil dishes are very famous. People come here from far away, to eat them.The speciality is in our recipe. We use three dairy items; fresh milk, happy cow cheese and mozzarella cheese…" (Manager- Case Study F).*

A "signature dish" can also allow customers to connect with their roots, travels or childhood. Those signature dishes have been able to please customers' sensors for years. Owners do not like to change them for obvious reasons. The most important determinant of a restaurant's success is the taste of its food. Each plate will develop a unique identity based on the food flavours. Some of the restaurants use unique ingredients, which lead to taste and healthy foods.

> *"The other thing is that we make our own curry powder and spices. We use 'Kochchi' in our food, because it increases the flavour of the meal. We use 'Kochi' instead of MSG" (Manager- Case Study C).*

> *"They don't put MSG to food. We can feel it. Not too much oil, no artificial ingredients. We can eat as a homemade meal" (Customer- Case Study G).*

Today there is much concern about healthy eating, and customers prefer all-natural ingredients in their food instead of artificial flavourings such as monosodium glutamate. As a result, restaurants need to put a lot of effort into creating dishes with distinct and palatable flavours which set them apart from contemporaries.

Online Marketing Practices

Owners and Managers have discussed how they use online resources for marketing their products. For example, they have posted the menus online for all to see. The social media website "Facebook "is specially mentioned as it is trendy and a growing marketing tool.

"...our place can also be visited by websites such as Booking.com and Expedia. They can look at our menus and views of hotel and restaurants from those websites." (Owner-Case Study E).

"We use Facebook for our marketing. In addition, the three restaurants have separate Facebook accounts" (Manager – Case Study F).

A lot of marketing and transactions happen online these days. Hence, it is essential to be competent in using it. The advantage is that customer feedback could also be obtained through Facebook. Moreover, being on various restaurant and travel aggregator websites like "Speedie" is advantageous as they have a wide circulation and a rating system.

Handling Customer Feedback

Customer feedback may contain customer complaints, compliments and recommendations etc. Whatever happens, restaurant Heads need to manage their customers believing that the customer is always right. All participating restaurant owners feel strongly about handling customer complaints well. They even look into comments posted on social media. All complaints are taken seriously by them. As one of the restaurant owners puts it, "We have to consider all things as big". Once a complaint is identified, they ensure that prompt action is taken to resolve the issue. As the owners say, a good way of approaching complaints is to talk courteously with the complainer while offering refunds or replacement meals.

"The other thing is that wherever I am in the world, I look at customers' comments every morning. I reply to them as a manager" (Owner- Case Study A).

The effort of complaint handling creates a good impression on customers and leads to customer satisfaction. Dealing with care and personal touch make unhappy customers into repeat customers.

Social Responsibility

The fifth main area of best practices in an organisation is Social Responsibility. Social responsibility concerns what the organisation is doing to satisfy local, national, and international society's needs and expectations as appropriate (Wongrassamee 2003). Two sub-themes were identified under the main theme of social responsibility related to best practices.

Minimisation of Waste

As evident from owners and mangers the following procedure and protocols are identified as waste minimisation activities.

"...a lot of wastage is in the kitchen. For example, we're trying to buy machines for dishwashing. So we designed a centralised kitchen and warehouse. This is because of that, we can reduce wastage. Then we can distribute goods from here to other outlets" (Owner- Case Study A).

"We always measure the wastage. Check out the wastage at lunch and dinner and see if the waste is too much (Manager- Case Study C).

Waste production can be minimised by using efficient machines. Trained workers is the next step of waste management, which is reducing waste generation, is proved to be very effective. Regularly measuring how much waste is being produced gives an idea of where and how to reduce it.

Waste Disposal Management

Following waste, disposable management practices were identified from the interviews done with owners and managers**.**

"We have a wastewater treatment plant. It is completely re-treating the water we use. That would reduce the water bill by one and a half lakhs" (Owner- Case Study A).

"The leftover of food, kitchen waste is given to pork farms" (Owner- Case Study E).

Recycling and reusing can be used effectively as most materials used in the food industry are biodegradable and recyclable. For example, leftover vegetables, leaves, and eggshells can be used to produce biogas.

Doing CSR Activities

Following are some of the CSR activities that are conducted by interviewed case studies.

"We help to the Negombo hospital. Whenever there is a shortage in the hospital, they tell us. Then we help. In addition, we help with some of the annual projects of the Regional Secretariat. We supply them with food. We're also helping the cancer hospital. Anyway, we do around ten programs annually" (Owner- Case Study F).

"We properly pack and deliver the leftover food to poor people" (Manager- Case Study F).

Helping public and social service organisations uplift the organisations' image. It develops a reputation as being a socially responsible place. This is in addition to the social benefits of charity.

DISCUSSION

Findings revealed that a good owner or manager has to be highly committed and involved with the business. They have to be humble and involve themselves in basic restaurant functions at a personal level. These findings are similar to Lussier, Bandara and Marom, (2016) as they revealed that owners are approachable and available to staff and offer to lend a helping hand whatever the time of need may be. Making personal observations by travelling overseas and reading is another way owners stay updated with the latest industry developments (Lussier, Bandara and Marom, 2016). These qualities inspire other staff. Another essential practice that was revealed was networking with industry experts. Networking is one of the best strategies for developing small business success (Ekaterina, Daria and Wim 2021, Surangi 2018), and business owners run sustainable and successful businesses with the support of industry experts (Surangi, 2018). Further, (Adam and Alarifi, 2021) found that external support aids strengthen the positive impact of SMEs' innovation practices on business survival rather than its performance.

Regarding process management, restaurants buy from a permanent supplier base who are often well-established sellers that understand and cater to their quality, consistency and volume requirements. They make sure that the relationship is storng and long lasting. Previous studies also highlighted that good owners practice recruiting experienced staff as they possess fine skills, efficiency and adaptability, and there is a particular emphasis on recruitment (Adam and Alarifi, 2021). Other practices that come under this heading are using fresh ingredients to better taste, paying due attention to food hygiene practices, and maintaining a customer database (Ekaterina, Daria and Wim 2021). Successful entrepreneurs running a restaurant in Canada mainly focused on the quality of the food, hygiene practices and service quality (Le, 2015). Owners have to recruit the right person for the right job. Respondents in the study discussed how they conduct interviews where Chef recruitment, for example, chefs have to demonstrate the high skills to be considered. This ensures their ability before hiring. According to literature, qualified human resources is the most crucial factor behind success in the restaurant industry (Eravia, Handayani and Julina 2015).

Effective organisational strategies include properly managing properties such as maintaining appropriate space to create the right impression, conducting market surveys, adding value to services, and offering multiple services (Adam and Alarifi, 2021). Owners also point out that the restaurant has to develop a unique identity to earn a reputation through a particular dish or service. Our participants also commented on the importance of maintaining

a focused customer base, e.g-middle class working society and being cautious when marketing to prevent unwanted attention, which could be harmful. Marketing strategies such as online marketing, use of social media and marketing through the restaurant's image are carried out by managers and owners. They use their blogs and social media accounts for this purpose. Customer complaint handling is a crucial skill. These marketing-related findings are similar to Bennett (2017) study as small business restaurants' entrepreneurs success mainly depend on effective use of social media, proper handling of customer feedback, and planning to overcome difficulties in implementing social media strategies. Moreover, participant managers are aware and diligent when it comes to their social responsibility. The implementation of proper waste management steps is beneficial in saving costs in addition to fulfilling social responsibility. Owners have installed wastewater treatment plants and deploy waste management protocols. Empirical studies highlighted that diversity and inclusion and adopting green supply chain management techniques are best practices to show the community that you care (Awan and Kahttak, 2018, Ekaterina, Daria and Wim 2021).

CONCLUSION AND FUTURE RESEARCH AGENDA

The research expands beyond the current body of knowledge on the Sri Lankan SME Sector. Regarding the theoretical contribution, the study findings comply with theories such as effectuation, the European Business Excellence Model and the model of SME core capabilities. Further, this study is amongst a few that have explored SMEs from a qualitative perspective, giving more in-depth information on SME restaurant-related practices and challenges.

Therefore, identifying the best practices of successful enterprises in the SME sector is very important to entrepreneurs, employees, investors, and other stakeholders who want to develop this sector. Regarding aspiring SME investors and entrepreneurs and those already in the industry, the best practices discussed

here would bring them success. Simply the identified best practices are some of the solutions for the industry's challenges because studied restaurants have successfully run the business for more than ten years with various challenges. Further, the research considered customer views and opinions by interviewing them. This allows service providers/ restaurants to view things from a customer's perspective, which help them gain more insight into the issue and serve the customer better according to their expectations.

The major limitation of this type of research is that the study's findings cannot be generalised as a world phenomenon. However, it can be generalised for the Sri Lankan context and most South Asian and Asian countries. Also, the findings can not only support restaurants but also other SME sectors in countries similar to Sri Lanka. To obtain further knowledge on this research area, a cross-country study can be done to compare the best practices and challenges in the SME Restaurant sector in Sri Lanka with other countries. Ethnography research can be done by actively involving the restaurants as an employee or active member for some time, for example one year or two years, as it gives rich knowledge to the study. The action research method can also be recommended for future researchers since this industry faces many challenges; researchers can help the respondents rectify their challenges while conducting the research. The focus of this study was the best practices of successful SMEs. Similarly, SME restaurants, unfortunately, couldn't remain in the market and had to close down. Therefore, future researchers can focus on their practices in the form of a case study and look into why they failed, which would also provide information. Perhaps it would be possible to understand where things can go wrong and how to avoid them.

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