

Title Issues pertaining to the survival of micro and small fruit processing enterprises with special reference to their strategic alliances: a case study in Kandy district, Sri Lanka

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Abstract

This study explores whether the survival of small-medium sized (SME) fruit processing enterprises in the Kandy District of Sri Lanka can be enhanced by strategic alliances. From an examination of 44 small fruit processing firms, results indicate that most business operators accessed markets, credit and technology through strategic alliances. Marketing through external agents significantly affected business survival while marketing under established brand names provided temporary solutions to marketing problems. The poor flow of market information, high interest rates and the requirement for collateral hampered SME survival. Despite mainstreaming the products in the market, the nature of the relationship with actors in the same position of the supply chain was not strong enough to increase business survival. At the same time, the nature of the relationship with upstream actors in the supply chain such as raw material suppliers was also found to be problematic. In many cases, contracts were not followed by raw material suppliers. However, long-lasting strategic linkages facilitated business diversification in related sub-sectors and increased survival. Diversification into related sub-sectors also reduced the risk and increased the overall efficiency of SMEs. These results support the hypothesis that strategic linkages play a significant role in the survival of SME fruit processing enterprises, provided that the enterprise operators have business experience and the capacity to build and maintain linkages.