

The survival strategies of small and medium enterprises (SMEs) in the global competitive environment

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Abstract

Globalization has been recognized as an opportunity for SMEs. On the other hand, it has created new challenges for SMEs due to the increased competition, resulting in a large number of SMEs forced to close down after a shorter period of commencement. Accordingly, SMEs need to develop survival strategies and adopt those to succeed in a challenging global business environment. The objective of this study was to identify the major challenges for SMEs and the strategies for survival and succeeding. For achieving above objective, authors have systematically reviewed the research materials published by the reputed publishers. Based on such information, authors identified some major challenges including the rise of multinationals, change in consumer profile and preferences, global financial crisis, information communication technology, cheap imports, and trade wars. Authors further identified the following as the survival and succeeding strategies: SMEs attempt to create links with MNCs and TNCs and such relationships facilitate SMEs to absorb the technology and production know-how, managerial and marketing skills, and experience in the value chain. Furthermore, it forces SMEs to apply innovative techniques in the production process to improve survivability. Additionally, the FDI creates two types of spill-over benefits on the local firms - they are productivity and market access and the export market in particular. The networking among business entities enables SMEs to improve their competitiveness via sharing resources, including business information, creating new global value chains, and creating novel market opportunities. It reduces the business transaction cost and risks, facilitates SMEs to acquire the knowledge and capabilities, and help commercialize innovations. The networking also allows SMEs to earn non-tradable resources such as reputation and visibility and increase the internationalization speed. Adaptation of ICT is also a strategy in accelerating the SMEs' internationalization. Specifically, the use of internet facilities in the business leads to transfer knowledge to the SMEs and enable utilizing resources more efficiently, build-up relationships with new vendors supporting the SMEs for cost minimization, find new customers, and gain the benefit from decreasing communication cost and quicker transaction processing. The enhancement of owner-specific dynamic capacities and market-related dynamic capabilities were identified as the crucial firm-level survival strategies of SMEs in facing global challenges. Finally, the authors highlight a need for a robust theoretical investigation on the survival strategies of SMEs in a competitive global environment.

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