

Cultural barriers against development of domestic industries: the case of small and medium food processing enterprises in Sri Lanka

Saliya de Silva, Jun Takeda and Piyadasa Ratnayake

Saga National University, Japan.

E-mail: saliyalk@yahoo.com

This study attempts to analyze how culture acts as a dominant factor in technological change and the development of Small and Medium Enterprises (SMEs) in Sri Lanka. In the market reality, SMEs must innovate new products and services, and adopt state-of-the-art technology if they are to compete successfully in the present dynamic and chaotic world. In this sense, cultural endowments of any society have to play a vital role favoring change and innovation of industries.

The present study employed two main analyses to identify the availability of innovative-cultural-dimensions in Sri Lankan SMEs. Firstly, a macro-level analysis was carried out to ascertain the impact of 'national culture' on the formation of such cultural dimensions in Sri Lanka. In this respect, five predominant socio-cultural institutions, namely family, ethnicity, caste, class and status, and education systems were analyzed in detail. Secondly, the availability of innovative-cultural-dimensions and their impact were empirically determined using a micro-level analysis in food processing SMEs of the country.

In the macro-level survey, it was found that, in general, the five socio-cultural institutions do not contribute to create an innovation friendly culture in Sri Lanka. The results of the micro-level analysis revealed that most SMEs do not possess innovative-cultural-dimensions within their organizations. Further, although the number of employees has increased in most of the firms, the growth of annual sales has increased only marginally by 3.42 per cent, which is far below the corresponding figures of the other industrial sectors of the country. Most of the SMEs have been characterized with outdated and/or inappropriate technologies and a low rate of innovation.

Both the macro and micro-level analyses found that the Sri Lankan cultural endowments prevent technological change, innovation, and as a result, the development of the SMEs of the country. Therefore, SMEs must recognize the urgent need to orient their own cultures to more learning, adaptation, and innovation, if they wish to survive as an effective commercial institution in the competitive global market.

Key words: Cultural barriers; domestic industries; Food processing enterprises ; Sri Lanka; SMEs