

The Impact of Internet Adoption on SME performance in Sri Lanka: Development of a Conceptual Framework

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Abstract

In a backdrop of shrinking geographical distance due to virtual access to borderless nations via the internet, many Small and Medium Enterprises (SMEs) are actively participating in the internet to take maximum advantage of this recently emerged business dimension. The purpose of this research paper was to investigate the Impact of Internet Adoption on SME performance in Sri Lanka with a view of developing a Conceptual Framework. The internet adoption as a key ingredient for SME business success has attracted much attention during the last decade. The impact of Internet Adoption on SME performance from a Srilankan perspective has not been adequately studied. Also, the extent of impact of Internet Adoption on SME performance may differ from other countries. Based on empirical evidence, this study is capturing significant variables that influence internet adoption by SME in a Sri Lankan context. The variables featured in this study are benefits of internet, complexity, business orientation, new work practice adoptability and ICT costs which are identified as major drives that influence the internet usage in SME sector and their impact on SME performances. Furthermore, the relationship of the variable on the SME performance is examined via reviewing applicable literature. This Conceptual framework which is an extension of the work done by earlier researchers will be a contribution to future researchers.

Keywords: Internet adoption, SME Performance, SME success, Sri Lanka

1. Introduction

Internet adoption is a field encompassing a vast scope which has developed in leaps and bounces in the recent history. Information communication technology facilitates the design, creation, storage, exchange and manipulation of digital (electronic) information for various purposes depending on the objective of usages. It is playing an increasing vital role in driving economic growth and prosperity in almost all the nations while the rate of adoption has shown significant increases among certain developing countries such as Bangladesh, Vietnam, Sri Lanka etc. It remains one of the most important ways of making businesses stay

competitive now and in the future. Due to the disproportionate benefits offered many businesses are focusing on converting from brick and mortar companies to click and mortar companies.

Internet, on the other hand, is one of the most integral component of ICT industry. The Internet, especially the e-commerce related approaches, have been progressively adapted by economies, resulting in an internationally connected economic system (Gibbs and Kraemer, 2004). SMEs around the globe are increasingly adopting Internet based ICT solutions as a result of the apparent and evident benefits of the domain.

Many available literature have highlighted the fact that internet is able to enhance the business reach and profitability of an organization to a great extent. Porter (2001) specified that a firm can enhance its market reach i.e. the ability to penetrate the market to exploit the full potential and operational efficiency by utilizing the Internet and other related practices. Investing in and properly utilizing Internet based ICTs provide major opportunities in improving the productivities of the vital SME sector. (Abouzeedan and Busler, 2002).

These numerous benefits of the internet adoption can aid SMEs in countless ways, especially in improving their operational efficiency, competitiveness and profitability. Analyses carried out in major developed economies including Australia and United Kingdom provide statistical evidences to the fact that more than 50 percent of all businesses comprise of SMEs and more 50 percent of total employment is also comprised of employees from the SME sector. (Kazi, 2007). The costs of ICT products are declining day by day enabling smaller firms even to reap the benefits of the new technology and to move on to improved internet platforms. Those firms that capitalize on these internet opportunities will undoubtedly thrive in the market. Alberto and Fernando (2007) contended that the proper usage of Internet based ICTs can improve business competitiveness by enabling the SMEs to equally compete with the larger firms by leveling the playing field.

On the other hand, internet adoption enables new opportunities for enterprises in terms of international trade. With the rapid advancements in the domain and the continuous reduction in international trade barriers, the world is converging into one globalized economy. This opens up new and vibrant opportunities for SMEs boosted by their abilities to join in regional and international trade agreements. (Brakel and Mutula, 2006). Many empirical studies including Bartelsman and Doms (2000), Dedrick *et al.* (2003), Devaraj and Kohli (2003) with Melville *et al.* (2004) affirm that usage of ICT exert positive impacts on firms' performances in terms of efficiency, effectiveness, market worth and relative market share. Use of internet furthermore has inter alia few other repercussions with respect to some transitional performance measures such as customer satisfaction, quality in services, organization benefits and cost savings, process flexibility and process efficiency.

Adoption of internet and related technologies, would also enable firms to identify new investment opportunities in local and overseas markets for the SMEs thereby allowing them to be successful and be ahead of the competition. The real need to accelerate the adoption of internet in developing countries is needed now more than ever as a means to reduce economic disparity among nations and the responsibility lies with the respective governments to identify and to provide the necessary opportunities through a facilitation process which may involve significant national investments to uplift local knowledge base relating to the scope. The researcher believes that apart from studying the mere relationship among the variables and the SME success, this may further open up opportunities for researchers to predict the performance of a SME by examining the degree of adoption of internet by the SME.

1.1. Objectives of the Study

The main purpose of this literature is to develop a conceptual framework that analyses the influential factors towards the adoption of internet among Sri Lankan SMEs and its impact on SME performances. This study is expected to enrich the existing body of knowledge on the domain, especially given the significance of SMEs in Sri Lankan economy and social context, and the significant role that internet adoption plays in the business sector as a whole. This will also serve as a stepping stone to broader the empirical study that examines the impact of internet adoption and business networking on the SME performance in Sri Lanka. Differences in patterns in global trends of internet adoption by SMEs to that prevails in Sri Lanka will also be highlighted through the study. Impact of the influential variables such as business orientation, complexities, new work practice adoptability, ICT cost and internet benefits are expected to be examined. Further, the study focuses to examine the interrelationship between the variables and its collective contribution to the SME success.

2. Literature Review

2.1 SME Performance

Small and Medium Enterprises can be considered as the backbone of most of the developing nations around the world. Similar importance has been observed among developed nations. SMEs are enterprises where a smaller number of people are employed by each individual SME while outnumbering large companies by a wide margin in terms of collective contribution to national employment (Erick *et al.* 2014). Dasanayaka (2009) identified that in Sri Lanka SMEs are recognized based on the definition of the organization that deals with the particular SME segment and accordingly there are over twelve different definitions for SMEs. SMEs are also identified based on their operational scales and based on financial capital invested their in. SMEs are also believed to be acting as catalysts in fueling innovation and competition in many economic sectors (European Commission 2014). The literature suggests that SMEs are primarily family-based businesses and have conventionally functioned in native marketplaces under significant and enduring existence of family legacies and their consideration on conserving the inherent control of families together with the objective of handing over the commercial activities to the heirs (Arosa *et al.* 2010). The unique capability to innovate and to transform innovations into commercially viable products and services enable small and medium sector enterprises to generate competitive advantage that support their internationalization strategies (Yeoh, 2014). "Openness to external sources and innovations, the outcomes on functional and process innovation vary in accordance with the technology sourcing modes suggesting that companies need to align their companies' external technology sourcing activities with their firms' internal innovation strategies." Yeoh, (2014). As per White paper, (2002) In Sri Lanka approximately 96 per cent of industrial unit are SMEs in the manufacturing sector, while SMEs contribute approximately 36 per cent of employment within the industrial sector. Also SMEs contribute approximately 20 per cent to value addition in the country. Therefore, it is evident that technology such as use of internet, effectively aligned with an SME's internal strategy and is able to yield sustainable competitive advantage to SMEs who are playing an integral role both in the society and in the economy. Barbara O. and Allan R. (2003) examined the SME performance during which non-financial factors such as customer relations, product or service quality, having personal interactions, were identified as success attributes over and above financial criteria where revenue and profitability ranked lower. However material contrast was noticed depending on whether the SME is an owner managed or employee managed. Donglin W. (2009) identified success of a SME to be determined by reference to the achieving of stockholder and investor expectations where he placed emphasis on both financial and non financial achievement as attributes of business success.

2.2 Benefits of Internet

The single most appealing characteristic which fuels the usage of internet is the massive bundle of benefits it offers to every aspect of an economy. Abeysekera, U., (2011) observed, Sri Lankan SMEs can benefit tremendously by adopting internet based E-commerce platforms to derive strategic advantages. Kapurubandara and Lawson (2008) in their research identified barriers to internet adoption in Sri Lanka while emphasizing the multifaceted benefits it delivers to SMEs. A distinct correlation is observed among nations who deploy internet to continue economic activities and their global GDP ranking. It was also noted that, having an ICT based production sector is imperative provided that the sector is bound by hasty technological growth and robust demand (OECD, 2003). Many scholars agree to the fact that investment in the technology enhances the labour productivity and reduces costs by a significant margin of which SMEs can be a prime beneficiary. Apart from such macro-economic benefits, use of internet and adoption of ICT has numerous firm level benefits as well. Mutula and Van Brakel (2006) agree that information is an important asset that gives SMEs a competitive advantage in the new economy. Internet force companies to find out new ways in which business can compete, attract and retain their business by providing them products and services according to their needs, and restructure their business strategies to deliver products and services more effectively and efficiently (Zafar *et al*, 2014). Adoption of Internet based ICT practices and solutions enable firms to expand the product offerings to the market, to customize service offerings and capture market share at the expense of less efficient firms, to better respond to demand and to innovate. Integration of activities throughout the value chain that help to reduce inventories is another addition. Studies conducted in the United Kingdom, show that online purchases i.e. purchasing over e-commerce networks can enhance productivity of firms substantially (OECD, 2003). Competitive advantage can be established and manifested in the internet marketplace with the help of innovation and technological change (Zafar *et al*, 2014). It is worthwhile to note that a firm is more open to internet related investments as a means of improving overall performance in a competitive environment in contrast to a more enclosed environment.

2.3 Complexity

The presence of internal barriers and external barriers in Sri Lanka increase the probability of failure in internet related technology adoption. (Kapurubandara and Lawson 2008) Complexity created by dynamism has started ruling the present while equilibrium and stability has become a thing of the past (Francis Amagoh, 2008). Mason (2007) identified complexity as an indicator of heterogeneity or diversity in external and external elements such as divisions, customers, vendors, socio-politics and movements in technology. As Cao and McHugh (2005) highlighted, when the system becomes more complex, it becomes more difficult to making sense and becomes more problematic to adaptation to the environment that is in flux (Cao and McHugh, 2005). The degree of complexity of a system is derived from the level of interaction between the elements in the system and the diversity there of. Accordingly as Morel and Ramanujam noted that the complexity of the system emanates as a result of the collective control that the various elements induce on to the on each other as well as on the whole. Therefore the larger the count of elements, the larger the level of relations among them leading to difficulties to forecast the system's performance (Morel and Ramanujam, 1999). Complexity in use of internet is another major influential factor which many firms take into account when deciding the degree of their adoption of internet based technologies. As use of internet evolves, there is an increase in the complexity of the applications and their subsequent management (Gono *et al*, 2013). This increasing complexity possesses a substantial threat to organizations' innovative intuitions over time. Changing practices is a long and complex process that requires, among other conditions including

a significant level of financial investment, a complex array of different types of support and strategies and multi-pronged strategies targeted at stakeholders (Kampylis and Punie, 2014).

It can be observed that ICT service providers have not provided readily available solutions customized to SMEs during the years due to the lower demand from the sector while affordability of solutions was costly in the hands of SMEs. This can be attributed to the perception that the off-the-shelf offerings available in the market are too complex and affluent as a means of reaching to the Internet based solutions. This results in a vicious cycle of inadequate supply and inadequate demand that ultimately omits SMEs from the benefits of e-commerce practices. This fact is aggravated because most of the ICT firms are tend to target the upper portion of the market i.e. bigger clients with bigger budgets due to their willingness to pay more for more complex internet related ICT services. Therefore, such offerings are frequently too costly and too complicated for small and medium sector enterprises. Such complexity in ICT result in not only enormous costs for acquiring, implementation, consulting and maintenance, but also results in a risk for the continuation of businesses. A sound understanding of business and information architecture and the ability to identify the approaches of the formation of them can ensure optimal complexity of internet usage. (Holub. I., 2014).

2.4. Business Orientation

Presence of family orientation Sri Lankan SMEs were a notable feature which was also common in many other developing countries. (Gajanayake, R. 2010). Due to competition and globalization, enterprises are supposed to work in networks and improve their performance through implementing optimal structures of information and communication technologies

(Mahdikhah *et al.*, 2014). In today's dynamic knowledge oriented economy, adequate and intensive usage of internet based technologies is essential for any firm in developing sustainable competitive edge. This fact is especially applicable to SMEs, given their survival depends upon how the business orientation align use internet to evolve new organizational models, to exploit in new market segments or enhance internal and external communication associations. Today, use of internet has been conceived broadly to encompass the information that businesses create and use, as well as the wide spectrum of increasingly convergent and linked technologies that process said information (Sanchez *et al.*, 2007).

Formal strategic orientation has been synonymous with larger organisations however observed to be lacking among SMEs though it has been identified as a factor for business continuity. (Gajanayake, R. 2010). In particular, use of internet as part of the business orientation has a prized prospective for nurturing SMEs via more effective and efficient usage and enhanced incorporation of business processes whilst supporting for a more efficient decision making process for them. Use of internet has the ability to produce a steep transformation amongst SMEs and propel their competitiveness, innovations and growth. In fact, Sanchez *et al.* (2007) specifies that innovation orientation is a key element in internet and ICT adoption among SMEs. The technology choices of a firm and how it utilizes that technology to leverage the potential to produce top-class innovations that ultimately lead to firm success is directly proportionate to the innovation orientation of the firm (Sanchez *et al.*, 2007).

2.5. New Work Practice Adoptability

Recent literature has addressed the positive impacts of new work practices on labour demand and firm productivity. The professed new, innovative or flexible approaches typically comprise of Total Quality Management (TQM), just-in-time production, job rotation, and flexi hours etc.

(Askenazy and Caroli, 2006). Re-engineering, profit sharing and employees' voice were some more aspects that were found by Black and Lynch (2004) to exhibit a positive link with productivity in a majority of US

firms. Internet based technologies play a pivotal role in utilizing such new work practices. Internet represents an important resource in pursuing organizational objectives and they can be considered as an “enabling factor” of company restructuring and cost reduction efforts (Vendramin et al, 2000).

Many scholars have found on how internet enable many flexible working practices in organizations. Vendramin et al. (2000) have found significant work practices that impacts on enabling internet and ICT for SMEs. They are as a tool for reorganization and cost reduction, enabling working time flexibility, skills flexibility, outsourcing and locational flexibility. A controversy has arisen recently in the academia relating to understanding the mediational role that internet and related technologies play in organizational practices and collaborative activities such as cooperation, harmonization, awareness apparatuses and information sharing (Schmidt and Bannon, 2013).

2.6. ICT Costs

There is an on-going debate within and outside the academic community about the value of internet to SMEs despite conflicting support for the significance of the factors of internet adoption and use (Parker and Castleman, 2007). In Sri Lanka internet and cost relating to ICT has continued to be a reason for adoption of internet, while perceptions were immerging on the affordability of the technology particularly relating to internet. Among them; setting up cost, recurring cost, improvement cost, connectivity cost were prominent which contributed to the return on investment in Internet. (Kapurubandara and Lawson 2008). Previous studies on internet adoption report that SMEs in developing countries have not fully capitalized on technological developments to extend their businesses beyond traditional borders: off-line identification of customers, use of multiple intermediaries and marketing channels constrained by distance (Shemi and Procter, 2013). This is partially due to the costs of obtaining appropriate internet related technologies.

SMEs frequently utilize Information Technologies merely for routine data processing activities, but seldom as powerful knowledge sharing tools or catalysts of strategic advantage (Antlová, K. 2009). Antlová (2009) states that “the costs for SMEs are still of significance although the prices of ICTs have declined in some areas drastically.” These costs include explicit costs such as initial investment needed to cover the hardware and software costs, energy costs, ICT personnel costs including salaries and wages paid to ICT workers, networking costs and security costs and implicit costs such as employee training costs, change management costs, social costs of ICT etc. Stewart and Hrenewich, (2009) of Athabasca University have found in their investigation into costs of ICT that bulk of the direct costs i.e. over 70 percent, related to organizational personnel costs. Remaining 30 percent is distributed among other essentials of ICT such as hardware, software, network connectivity and other licensing costs. SMEs in developing countries lack the necessary capacity or awareness to take full advantage of ICT and E commerce, much of the support to E commerce depends upon right infrastructure, regulations and the policy mix allowing E commerce to thrive (Zafar et al, 2014).

3. Empirical Evidence between the Variables

3.1 Internet benefits and SME performance

Use of Internet based ICT solutions in organizations enables plentiful gains. Majority of the business professionals are interested in finding out many advantages they can derive from appropriate implementation of internet based solutions (Alam and Noor, 2009). Incorporating internet in enterprises enables new vistas for them to exploit. These typically include opportunities such as improving competitiveness via means of accessing unexplored market segments and sophisticated information facilities (Giovanni and Mario, 2003). Ample literature evidences suggest a positive linkage between the benefits of internet and the adoption rates. Tan *et al.* (2009) found a positive correlation between internet adoption and

relative advantages of internet among Malaysian SMEs. Creating new business opportunities, improving access to information and expediting communications are among the top benefits realized by the SMEs (Tan *et al.*, 2009). Tan, Eze, and Chong (2011) examined the unmediated association among comparative advantages of internet and adoption rates despite the type of the industry under consideration. Tan, Eze and Chong (2011) also support this argument referring to the ample literature available on the benefits of internet adoption stating that internet adoption is beneficial to all SMEs regardless of sectors (Tan, Eze and Chong, 2011). Bayo-Moriones *et al.*, (2013) also found a positive link between perceived benefits of internet adoption using an empirical study conducted in Spain among manufacturing SMEs. The results exhibit the wide array of benefits for SMEs in adopting internet based technologies and emphasize on the fact that persistence in use is advisable to derive good results in many aspects of businesses. (Bayo-Moriones *et al.* 2013).

3.2 Complexity and SME performance

Small businesses often tend to evade adopting internet into business practices especially if it is seen as too complicated to utilize. Alam, (2009) estimated that the adoption rate of internet and related solutions among SMEs is heavily dependent upon the fact that the CEO/owner is the ICT decision maker. The degree of internet adoption has been a subjective decision for many SMEs due to inherent multiple dimensions requiring through consideration. Studies reveal that the degree of internet adoption and complexity has a negative relationship. This can be anticipated due to most of the SMEs are lacking the technical expertise and knowledge that is required to overcome the complexities in internet based solutions. (Tan *et. al.*, 2009). This is also attributable to the fact that individuals are more likely to adopt those innovations which they perceive as having less complexities over more complex innovations. (Rogers, 1996). Hashim (2007) also studied the relationship between ICT complexity and adoption rate based on the Theory of Perceived Attributes. The theory of perceived attributes is based on the perception that individuals will accept an innovation if they perceive that the particular innovation has several characteristics. Complexity is one such characteristic and the individuals will not adopt an innovation if it is perceived to be too complex. Based on this notion, Hashim, (2007) concludes that SME owners in Malaysia find internet adoption difficult due to the fact that they are aversive to the relative complexities leading to lower performances.

3.3 Business Orientation and SME performance

The pertinent literature over the years have confirmed the proposition that proper alliance amongst business practices and internet has a significant affirmative impact on business performances. The greater the alignment between these two variables, the higher the chances of achieving a sustainable competitive advantage for a firm. This alignment factor between internet and businesses is known as the business orientation and it plays a pivotal role in determining the adoption rate of internet by SMEs. Many apposite literature stresses that organizations have the potential to establish sustainable competitive edge by proper investments in internet related technologies. (Donglin W., 2009)

Thus, the competitive advantage achievable solitarily from arraying superior technology will be short-cycled and will not be sustainable. (Cumps *et al.*, 2006). This is justifiable given the fact that same technology which was once a breakthrough deploying strategic advantage becomes a necessity over time with the rapid changing nature of the industry. Therefore, it has become a necessary for the firms to identify and to maintain the balance between the variables.

Kowalkowski *et al.*, (2013) found that internet as a crucial catalyst for novel products and process-oriented services. The fact reveals the ability of internet in enabling service differentiations and fuelling a more service business orientation. The challenge is often to keep pace with the technological development and the

emerging opportunities that arise, while maintaining internal alignment and linking technological possibilities with expressed and latent customer needs (Kowalkowski et al, 2013). Those organizations that deploy ICT investments as real business enablers and to different parts of the business will be better aligned to generate both financial and nonfinancial performance indicators. (Cumps *et al.*, 2006).

3.4 New Work Practice Adoptability and SME performance

One of the most prominent features of internet is the rapid changing nature of the domain. Internet enables new and more efficient work practices due to this rapid advancement and such practices propel businesses to adopt internet due to the relative advantages that can be derived. Many scholars have emphasized on the fact that adoption of novel work methods is positively linked to improved performances of firms. Prominent statistical studies conducted deliver results strengthening the positive relationship between the new work practices adoption and economic performances of firms (Antonioli, Mazzanti and Pini, 2008).

Internet adoption by enterprises is strongly related to the capability of a firm to adapt to fluctuating circumstances and to transform. Users of internet based ICT, by utilizing practices such as introduction of new processes, products and services, frequently add value to their investments in ICT. (OECD, 2003). It is necessary to match the investments in internet based technologies with complementary investments such as investing in relevant skills etc. and with appropriate organizational change to incorporate new work practices, organizational change etc. to make the most those investments (OECD, 2003). Hence, internet can be elaborated as innovation accomplishments that facilitates SME performances as an offshoot with a growing degree of workforce empowerment, without undermining safety/security or increasing stress levels (Antonioli et al, 2008). Bartelsman *et al.*, (2013) in their cross-country analysis have developed a measure to identify the intensity of adoption of internet and innovative capabilities of enterprises to boost business performances and have identified a positive relationship between the two variables.

3.5 ICT Costs and SME performance

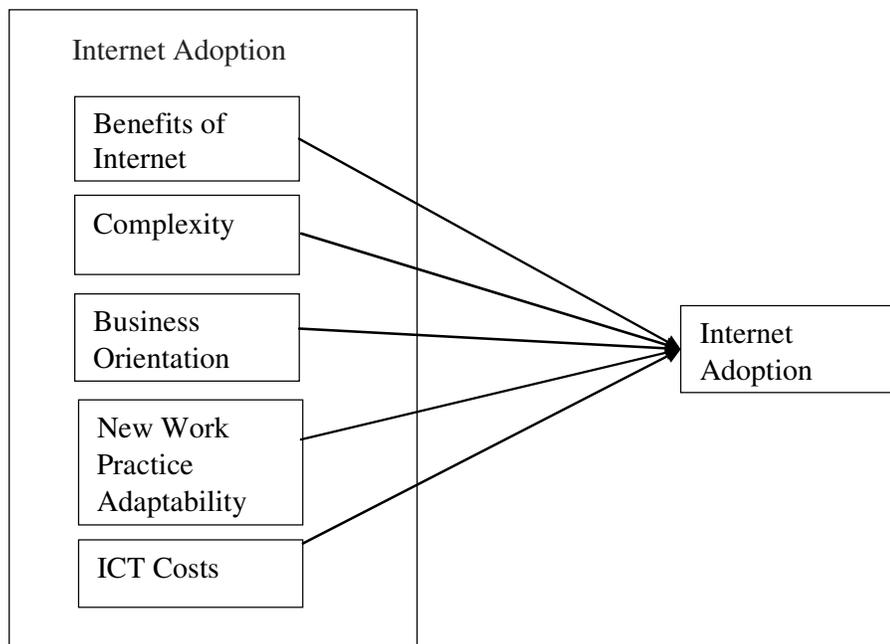
Internet implementation and ICT costs is the investments necessary to adopt relevant ICTs to improve the efficiency productivity of the business. (Tan et al, 2011). Conservative organizations with many traditional strategies perceive information and communication technologies merely as a bulk cost and therefore is only interested in operating the daily routines which may affect the optimum performance of the business. (Cumps *et al.*, 2006). Arendt (2008) examined some of costs of ICT as costs of relevant hardware and network equipment, software and licensing costs, as well as recurring costs which may also be considered as investments generating business returns and success. Many of the European SMEs still consider the financial aspects (costs) associated with adopting ICTs to be the utmost barrier towards the absorption of Information and Communication Technologies which defer the associated performance benefits to the organization. (Arendt, L, 2008). Alam *et al.*, (2009) discovered a positive and substantial association among costs of technology and adoption rates which either facilitates or hinders the business performances. The lower the costs of implementation, the greater the novel inventions such as the internet adoption by the firms and vice versa (Alam and Noor, 2009). Schlichter and Danylchenko (2013) also have implicitly stated the negative relationship between the costs of ICT and its adoption rate. Further elaborated by measuring ICT usage and quality of information that Contribution to society at large is hampered While recent reduction in costs of telecommunication and internet services contributed greatly to the increase of developing world connectivity rates, large differences between developed and developing countries still remain which deter SMEs from harnessing the benefits associated to business success. (Schlichter and Danylchenko, 2013). This relationship is further supported by the findings of Modimogale and Kroeze

(2011) who state that perceived high costs of ICT act as a major barrier for SMEs in adopting ICT such as internet adoption which keep them away from capitalising on performance benefits.

4. Conceptual Framework Development

The main objective of this paper is to develop a conceptual framework that defines the relationship between the influential variables and the SME performances in Sri Lanka. The proposed conceptual framework illustrates the conceptual relationship between the identified variables through a literature review. Approximately two hundred and fifty relevant articles were referred in developing the model. The model propagates that SME performance inter-alia is impacted by internet adoption based on benefits of internet, complexity, business orientation, new work practice adoptability and ICT costs. The research problem and the review of literature describing to the identified relationship could further strengthen the argument upon testing the conceptual framework. All identified variables are believed to be having varying degrees of impacts on the internet adoption by SMEs for the successful performance of the business and thus are expected to be tested empirically in the Sri Lankan context.

Conceptual Framework: The Impact of Internet Adoption on SME performance in Sri Lanka:



5. Methodology

The author has generated the conceptual framework by reviewing approximately two hundred and fifty articles from multiple sources. During the literature review variables were identified together with inter-relationship and their impact on the dependent variable. Through the literature review multiple dimensions of variables were reviewed to generate the framework.

6. Conclusion

Internet and the World Wide Web (WWW) is constantly changing the way businesses are operated around the world at a rapid pace. This inevitable reality is applicable to the SMEs as well, given their competition to

stay alive in the hypercompetitive business world. The objective of this paper is to propose the conceptual framework that defines the variables that affect the internet adoption by SMEs and the impact they have on the performances of SMEs in the Sri Lankan context. A noteworthy quantum of work is available in the global context in this regard. However there is a vacuum in comprehensive analyses on the internet adoption among Sri Lankan SMEs and its impact on SME performance. Given the context of Sri Lankan values, attitudes and cultural motives the impact on SMEs performance by the defined variable can vary compared to other countries. This is also in the light of business motives of Sri Lankan SMEs which may differ from other developing countries which have been cited in relevant literature thus far. Five specific motives have been analyzed throughout this conceptual paper which the author believes to have direct influences on internet adoption among Sri Lankan SMEs and on their performances. The prevailing empirical evidence suggest the prevalence of a relationship among benefits of internet, complexity, business orientation, new work practice adoptability and ICT costs. The study is expected to enrich the existing body of knowledge on internet adoption by SMEs and its impact on SME performance. The model is yet to be tested empirically. However, since the proposed conceptual framework has not been presented previously, it is expected enrich the status quo of the body knowledge in the applicable domain.

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