

Chapter 34

E-Commerce in Small and Medium Enterprises in Sri Lanka

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ABSTRACT

The growth of information technology in the business world is spreading at a phenomenal rate. The success of a business organization stands at the usage of IT in their business. Growth of e-commerce is the new born business method, which has originated through an extensive usage of IT in their business. This study will focus on the level of adoption of e-commerce in a population of 30 SMEs under the BOI, the relationship between firm-based characteristics and the adoption of e-commerce and also more importantly find out the critical success factors and discover potential benefits of adoption of e-commerce in SMEs. The results on the adoption of e-commerce showed a significant relationship with the two firm-based characteristics. That is management involvement and adoption of IT. The study also identified e-marketing and supplier service as the critical success factors in adoption of e-commerce.

1. INTRODUCTION

Today telecommunications are the keystone of the current technological revolution. The Sri Lankan government is currently on the process of upgrading the Internet infrastructure and developing it in the form of installation of super-fast telecommunication network using fiber optic cables and other necessary hardware. This is mainly due to the fact that Sri Lanka is unable to meet the changing requirements in the World Wide Web due to its weak and poor infrastructure. The rapid advancement in both Internet software and hardware has also lead to more and more organizations allocating resources to meet the changing requirements in E-Commerce. Large corporations, Small and Medium Enterprises (SMEs) and individuals are all investing more and more in the Internet business. The main challenge for these SMEs in adoption of E-Commerce is the lack of facility and resources in according to changing needs of the customers. The large corporations are finding no difficulties in their concurrence in E-Commerce world mainly because they have large resources and facilities compared with the SMEs. Senarathna and Wickramasuriya (2011) indicated that in Sri Lankan context there is a positive correlation between the

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adocracy cultural characteristics among the SMEs and the level of e-commerce adoption. The lack of resources has been the major cause that has restricted SMEs in competing with their competitors. It is necessary to provide sufficient information and resources for SMEs by the BOI, since SMEs play a very vital role in the development of our country.

The main problem statement of this research would seek to understand, why and what are the reasons for SMEs to be reluctant to adopt E-Commerce to develop and grow their businesses in Sri Lanka and to identify the relationship between firm-based characteristics and adoption of E-Commerce in SME. It is hoped that with this information, more SMEs would be better prepared before venturing into E-Commerce activities. This information could also be useful for the larger corporations in Sri Lanka and those from abroad who wish to invest in E-Commerce in Sri Lanka. Through this research the SME will understand E-Commerce and its benefits. In the same time in the social benefit point of view this research will help make consumers more Internet friendly by making organizations push for E-Commerce adoption. Online purchasing will be the national shopping mall of the world. E-Commerce will increase consumer convenience and variety in choices; which will lead to the development of the economy of Sri-Lanka. This study will also help contribute to the little literature that exists on the Sri Lankan E-Commerce situation. It will help readers understand the E-Commerce landscape in Sri Lanka and build on the studies conducted so far including this research.

2. LITERATURE REVIEW

There have also been a number of perspectives investigated with regard to e-commerce adoption and SMEs in recent studies. Of particular interest is the study by Wymer and Regan (2011) who have investigated the influential factors in the adoption of e-business and e-commerce technologies by SMEs. Further to this, Grandon et al. (2011) have compare e-commerce adoption theories, While Neilson et al. (2010) have examined the international perspective of the development of e-business by wine industry SMEs, and Beynon-Davies (2010) has considered e-business as a regional development driver. Additionally, scupola (2009) has studied the perspectives of e-commerce adoption by SMEs in Australia and Denmark, and Williams et al. (2010) have explored small business sale growth in the UK and internationalization links to web site functions.

Sterrett and Shah (1998) and Stockdale and Standing (2004) have argued that micro-sized SMEs can compete with larger organizations through e-commerce as their size enabled them to be more adaptable and responsive to changing condition. Effective e-commerce deployment thus means that enterprises are no longer restricted by geographical locations and are able to compete in new national and global markets, both for customers and suppliers (Damanpour, 2001: Dholakia and Kshetri, 2004). In terms of financial support, Schneider and Perry (2001) and Galloway and Mochrie (2005) have suggested that SME owner/managers require support from government and support agencies to enable an effective transition in mindset. Such support can take multiple forms including business advice and/ or financial backing in grants and loans.

Daniel and Grimshaw (2002) found ICT adoption required consideration of a formal and appropriate ICT strategy (Chaffery, 2002) enterprise culture (Coates, 2001) and potential restructuring (Gulati and Garino, 2001). It was noted that SME owner/managers were reluctant to provide the time and finance to ICT development (Wolcott et al, 2008), without indications attainable benefit (Lockett and Brown, 2000). Lesjak and Vehovar (2005) recognized that ICT use contributed to the creation of current and future

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