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**DIGITAL TRANSFORMATION FOR SMALL & MEDIUM ENTERPRISES (SMES):  
WITH SPECIAL FOCUS ON SRI LANKAN CONTEXT AS AN EMERGING  
ECONOMY**

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**Abstract:** *Small & Medium Enterprises (SME's) constitutes for over 75% of the number of enterprises in Sri Lanka and contribute to 52% of the GDP of Sri Lankan economy. In any case, the development and extension of SME's are constrained due to a multitude of factors that are yet to be investigated. Competition is often intense for SME's in Sri Lanka and they can neither influence price nor quantity. The standard view of competitive advantages on differentiation or cost is a challenge for SME's. They are probably not going to have the option to "lock" in clients and providers, build entry barriers or altogether lower cost. SME's usually have limited resources in finance, skilled employees, in-house knowledge or management. Meanwhile, digital transformation is featured in many businesses enabling reshaping the strategy and business models. SMEs are also found as empirically investigated context with the concept of digitalization, but still further studies are claimed on it. Accordingly, this paper investigates how SMEs could be benefitted with digital transformation as a strategic initiation whilst challenges and cases are discussed in line within. It has followed comprehensive literature review as the main research tool and the paper is framed as a concept paper with the discussion on empirical insights. Authors made an attention on Sri Lankan SME sector as a specific context. Finally, it concludes the paper with some research directions and priorities for the future studies.*

**KEYWORDS:** *business models, competitive advantages, digital transformation, SMEs, Sri Lanka*

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## **INTRODUCTION**

Across every industry, Digital transformation is having positive impacts on the barriers between individuals, enterprises and processes and is disrupting the industry eco system. They are changing the relationships between customers, workers and employers as the technologies reach and invades almost everything people do from buying groceries online to finding a life partner on a website (Mühleisen, 2018). By eliminating these barriers, digital transformation (DT) can enhance and help innovate products and service offerings and find proficient methods of working together. These innovations evolve across organizations irrespective of their size and industry. Lately, firms in practically all industries have directed various initiatives to investigate new digital technologies and to exploit their advantages (Matt, Hess, & Benlian, 2015). Pierre Nanterme, Chief of Accenture states "Digital is the main reason just half of the companies on the fortune 500

have disappeared since the year 2000". This transformation is influencing the manner in which the economy and social orders work, moving changes in the scale, degree and speed of organizations and the structure of business sectors (Goldfarb & Exhaust, 2017; Youngjin, Jr., Lyytinen & Majchrzak, 2012). In digital transformation (DT), enterprises are not only focussing on the exploitation of technology to improve operational efficiency but also exploring the potential of digital innovation (Berghaus & Back, 2016). Digital transformation includes both procedure digitization with an emphasis on effectiveness and digital innovation with an attention on improving existing physical products with advanced abilities (Youngjin, Jr. et al, 2012). Additionally, digital innovation is concerned with changes in strategy, process and company offerings and as such requires the enterprises to revisit the organizational logic. Enterprises today understand the potential value and focusses on data driven innovation (Berghaus & Back, 2016). An enterprise that does not realize, embrace and transform with digital technologies is vulnerable to their own survival, whilst those who adopted to digital technologies to transform themselves have leapfrogged and experienced exponential growth in the business world, which eventually contributes to the growth of the nation and the transformation of the society as a whole (Goldfarb & Tucker, 2017; Matt, et.al.2015). In general, e-commerce provides a base for many business models including SMEs to revitalize traditional forms of doing businesses into a digitalized option (Hofstede.2011), and enabling strategic advantages ( Kohli & Johnson, 2011).

SMEs play an important role in employment creation, innovation, and in the economy in general. Their part as a noteworthy source in development has been stressed in research (Braunerhjelm, 2008). However, SME's are vulnerable and prone to failure (Storey, 1994). One of the major challenges for SME's are the limited resources e.g. Human resources, capital, that reduces the capability of these organisations to respond to competition and market changes (Toni, 2003). In this backdrop, the use of information communication technologies (ICT) will certainly provide SME's timely and valuable information, knowledge, better relationships with suppliers and customers, better collaboration and increase productivity and efficiency (Ensaria & Karabay, 2014). Therefore, how far the business community transforms their businesses to digital technologies has been a decisive factor of the socio-economic development of a country. There are explicit evidences, where large scale business entities are embracing the digital transformation and where Fortune 500 Companies are placing Digital Transformation at the centre of their Innovation Strategies (Holtz, 2018). Further the emerging start-up companies are also showing the same trend (Andersson, Movin, & Mähring, 2018; Cuenca & Llorente, 2015).

Additionally, competition is often intense for SME's in Sri Lanka and they can neither influence price nor quantity. The standard perspective on rivalry (Porter, 1980) where firms contend on differentiation or cost is a test for SME's. They are probably not going to have the option to "lock" in clients and providers, fabricate boundaries to passage, or fundamentally lower cost (Kohli & Johnson, 2011). SME's usually have limited resources in finance, in-house knowledge and

management. However, from a competitive perspective, their advantage exists in processes and products that are hard to replicate. Based on the resource-based view which argues that competitive advantage can be developed by organisations that collect resources which are unique, valuable, non - substitutable and difficult to duplicate (Barney, 2001), these competencies form the basis of a business strategy. DT can be a critical and substantial part of such competencies (Goldfarb & Tucker, 2017).

### **SME's from a Sri Lanka context**

In the south Asian region, Sri Lanka is an emerging economy and is driven as a service sector economy (Koththagoda & Dissanayake, 2017). According to the Ministry of Industry and commerce, the SME account for more than 75% of the population of enterprises in the country. Since the contribution of SME's are so important it would not be wrong to say that they are the backbone of the economic development of the country (Fatoki.o, 2011). Some countries use number of employees, value of capital employed, turnover or nature of business (Gamage, 2003). Even from a Sri Lankan perspective, there are different explanations to recognize a venture as SME. For e.g. Industrial Development Board of Sri Lanka (IDB), characterizes a small industry as a foundation whose capital investment in plant and machinery does not surpass Rs.4million (US\$ 42,000) and the Central Bank of Sri Lanka, 1998 characterizes small industry as the number of employees that does not surpass 50 people. The Department of Small Industries (DSI), categorizes firms with capital investment of less than Rs.5 million (US\$ 52,500) and less than 50 employees as SMEs (Ponnamperuma, 2000). To overcome any confusion, in this study we will take the definition of SME's that was released in 2015 by the Ministry of industry and commerce. According to this report, the Ministry of industry and commerce, National policy framework for SME development of Sri Lanka defined SMEs based on annual turn-over and number of people employed. The small companies are defined as enterprises with 11-50 employees or an annual turnover of Rs. 16-250M and the medium size companies have 51-300 employees or with an annual turnover of Rs. 251-750 M. Whilst, Micro enterprises will have less than 10 employees or with an annual turnover less than Rs.15 M. The Sri Lanka government recognizes SMEs as a critical fabric of the economy, as it accounts for over 75% of the total number of enterprises, provides employment to 45% of the working population and contributes to 52% of the Gross Domestic Production (National Policy Framework for SME Development of Sri Lanka, 2015). The Census and statistics department released its first economic census in 2013/4 on the industry, trade and services sector, It confirms that over 3M people are engaged in the SME sector in Sri Lanka. It could be noted that the economic census has revealed over 90% of the activities are of sole ownership category (Satharasinghe, 2014).

### **Purpose of the Study**

There is significant knowledge gap on the existing level of digital transformation among small and medium size enterprises, especially in developing countries like Sri Lanka where most enterprises are SMEs (Satharasinghe, 2014). Literatures denote that there are many research that had been

carried out to investigate the factors in adopting DT. However, these studies mainly considered internal aspects of the organisation such as organisational perspectives, leadership perspectives of owner/manager and external perspectives such as environment in the developed countries (Azam & Quaddus, 2012; Barann, cordes, Hermann, & Chasin, 2019; Bensaou & Venkataraman, 1996). There are extremely few research being done in emerging countries and predominantly these studies involve technology, organization, physical and socio economical environmental factors that hinder adoption (Abd-Mukti, 2000; Deichmann, Goyal, & Mishra, 2016; Fozia & Shamim, 2011). Investigations are critical for the emerging countries because the research outcome could be useful for entrepreneurs and policy planners (Fischer & Reuber, 2015). As per the literature review justifies, application of DT in many industries, sectors and countries is a considerable empirical gap as per its dynamic nature and how country-related policies influence on it. Therefore, the present study intends to explore the level of digital technology adaptation in SMEs in Sri Lanka and determine the key enablers of digital transformation in SME sector.

## **METHODOLOGY**

This research follows a deductive approach in which explanations and arguments are supported by empirical evidences and associated theories. A deductive methodology, which is a Qualitative research is worried about the changing idea of reality made through individuals' encounters – an evolving reality in which the researcher and researched are mutually interactive and inseparable (Phillips, 1988). The researcher reviewed journal articles, industry publications to understand “What are the key enablers for SME’s in Sri Lanka to Digital transformation (DT) in the Industries 4.0 era?”. Accordingly, literature review was employed as the main research tool. This paper attempted to discuss cases found within the application of digital transformation in SME’s and extract practice related insights for readers. Sri Lanka was chosen because it is an emerging economy and is in the journey of transforming itself digitally enabled. The research could be useful to other developing countries of a similar nature. The paper is organised as a concept paper whilst arguments were empirically supported. Finally, authors discuss and conclude the paper postulating future research directions in line with the synthesized discussions.

### **Literature Review on DT within SMEs**

Paper presents the empirical evidences and some important cases on how DT is considered in many perspectives whilst challenges are also highlighted with literature-based justifications.

### **Digital Transformation: Strategy before Technology**

Globalization and Information communication technologies (ICT) are radically changing the way business is conducted. ICT is used so extensively that they have become an essential element in

doing business. Their adaptability gives better approaches for overseeing business connections and new models of working together in the progressing computerized economy (Antlova, 2009). DT in business is the joining of new advanced innovations and technologies into all business areas prompting a key change in the manner the enterprise works. These digital technologies in the industries 4.0 can be cloud, big data analytics, artificial intelligence, augmented reality, additive printing, drones, blockchain and robotics. Due to the many opportunities offered by these digital technologies, virtual companies and E commerce markets were proposed as new disruptive models of organizations and transactions, where digital technologies will be considered as the driver of an organization's competitiveness (Kelly, 1998). Enterprises need to find innovative ways to integrate these digital technologies and their capabilities to improve process, human resource engagement and skill, and drive new business models to compete and thrive in the digital economy. DT is a journey and is not about using many technologies as possible. It must have a clear vision for the enterprises development and be supported by technologies that provides the best possibility, that is related to the chosen strategy of achieving the vision.

The researcher reviews how SME's in Sri Lanka would digitally transform themselves by analysing theories leading to a theoretical framework of digital transformation. Numerous theories have explained the firms and individual's acceptance of new technologies and their intent to use (Lai, 2017). According to (Besson & Rowe, 2012), in the last 20 years DT has received a considerable amount of research efforts based upon the research theme organizational transformation. Earlier the focus for companies were primarily internal to the organization and as such enterprise resource planning (ERP) or customer relationship management (CRM) was key (Boersma, 2013). The transformations they introduced were improvements in business process improvements, reduction of costs and efficiency improvements (Ash & Burn, 2003). However, with the emergence of the Internet and developments in ICT, which are more external to the organisation, it has opened new markets and will considerably alter existing ones (Brynjolfsson & Kahin, 2002).

### **Application Perspectives of Digital Transformation within SME**

All organizations whether they are Brick-and-mortar, Virtual or Click-and-brick will have an impact from digital transformation and the way they do business. Prof Haim Mendelsen of Stanford college and writer of the book *survival of the smartest* (2004) states that all organizations need to viably re align for the demands of the future : a value creation model that recognizes the organizations target audience, its offerings and how they create value to the target audience; a profit model identifying the key enablers of profitability; and the rationale of the business appearing how and why the organization will accomplish its bottom-line and growth. As such understanding the key internal and external enablers for digital transformation is critical to our study. A SME has the ability to control the internal enablers of DT. DT of business according to (Schwertner, 2017) is seen as a set of following elements- Digital skills of employer and

employees, business model, digitization of products / services and processes, Digital channels for customer interaction, Organisational structure, IT infrastructure and ROI. A small company's owner / manager has a significant influence on ICT adoption. A thorough study of three technology-based companies by (Parida,2010) found that the perception of the owner/manager had significant impact on the adoption and the role of ICT. If the owner / manager is not familiar with the operation of a computer and believes that ICT is for larger organizations only, they are unlikely to get involved in ICT related activities even when they had the financial ability to do so. However, in certain instances the primary obstacle was the absence of qualified employees when owners/ managers had a favourable opinion of ICT. According to a study of (Mehrtens, Cragg, & Mills, 2001) SMEs that had staff who could comprehend and use technology embraced ICT easily. These staff were not necessarily ICT experts, but individuals interested in using technology.

In comparison to a bureaucratic structure of larger firms, SME 's organisational structure tends to be more organic. This means flat organizational structures with faster decision cycles due to less bureaucratic processes. The UK governments department of trade and industry (DTI) has introduced an adoption ladder approach for better understanding the adoption of ICT by existing small firms (Martin & Matley, 2001). They claim that the use of ICT by SMEs varies from fundamental technology such as messages and fixed lines to more sophisticated technology such as e- commerce and IT services. Using advanced ICT to enhance company processes falls under the e-business classification and ultimately represents a small transformed company. ICT has the potential to improve the core business of SME in every step of the business process and enhance competitive standing. Based on the application of Porters value chain there are critical advantages a SME could enjoy - access to global markets would be increased due to access to internet as a result opening of new markets (Babbitt, Brynjolfsson, & Kahin, 2001) and the use of electronic payment systems, SMES could achieve lower cost by reducing manufacturing costs, improve document processing, use financial and accounting applications (Acar, Kocak, Yildiz, & Arditi, 2005), enhance internal and external communication using ICT for intranet and extranet for achieving a constant inflow and outflow of information which may result in learning opportunities (Venkatraman, 1994) and ICT in small and medium- sized enterprises could promote collaborative opportunities between company stakeholders through digital data exchange that encourages knowledge sharing and better exchange of customer / supplier information (Zaheer & Venkatraman, 1994) and finally, driving innovation through several ICT instruments such as information leadership, virtual prototyping, computer- aided construction and other applications can improve the pace of the innovation method (Thomke, Hippel, & Franke, 1998).

Most SME's are not willing to embrace DT if they consider the price of creating and retaining the innovation scheme to be greater than the advantages it offers. In a research conducted despite awareness of the significance of e-business application in SMEs, the literature on the connection between IT and company results remains inconclusive (Jean, 2007; Kettinger, Grover, Guha, &

Segars, 1994; Liang, You, & Liu, 2010; Marchand & Raymond, 2008; Chavez, Gimenez, Fynes, Wiengarten, & Yu, 2013). Other researchers have also failed to discover a direct link between increased IT investment and company financial results (Chen, 2012; Lin et. al., 2011). Researchers indicate that study emphasis should change from IT expenditure to a stronger comprehension of how data assets, individuals and IT procedures can contribute to a firm's efficient use of data and drive stronger company efficiency (Marchand & Raymond, 2008). From a resource-based view, researchers asserted that since competing companies can readily match IT investments, IT expenditure does not provide any continuous competitive benefit. Rather, it is how companies exploit their assets and generate distinctive IT assets and abilities that determine the general efficiency of a company's e-business (Mata, Fuerst, & Barney, 1995).

According to Mckinsey's preliminary studies, if organizations are spurred to move towards digital transformation in Sri Lanka, there could be a 1-3% growth contributor to GDP. Internet and mobile connectivity are creating enormous change in the business environment. With the increasing penetration of digital technologies in everyday life (Youngjin, Jr., Lyytinen, & Majchrzak, 2012) the need to innovate business models with Information systems is increasing. Inter-organizational policies that exploit IT capacities are becoming more common (Bensaou & Venkataraman, 1996). Lately, organizations in almost all sectors have taken measures to explore digital technologies and to utilize their advantages. According to (Matt, Hess, & Alexander, 2015), the utilization and inclusion of digital technologies often affects and transcends businesses by impacting products, company processes, marketing channels, and production chains. Potential advantages of digitization include rises in revenues or efficiency, advances in value development, as well as new ways of customer interaction, among others. As a consequence, whole company models can be reshaped. Digital transformation is helping organizations to adopt to different business models that truly offer value for e.g. Product companies are slowly adopting to service business models (Cusumano, Kahl, & Suarez, 2014). According to (Neely, 2008), approximately two thirds of the product companies in advanced nations have embraced a service approach. Through servitization, companies can distinguish their offer and improve customer commitments (Vandermerwe & Rada, 1988). Research also show that companies that create ideal use of information communication technology (ICT) have the chance to access fresh economies, acquire fresh understanding of their clients and enhance fresh brand creation procedures more efficiently and effectively (Neirotti, Cantamessa, & Paolucci, 2008; Pankaj Setia, 2013).

A study sent to CIOs of 204 big Italian businesses showed that they were more inclined to use IT to enhance their customer understanding and the efficiency of new product design. Thus, by investing in IT, these businesses were prepared to reinforce their pre-existing competitive benefit (Paolo & Cantamessa, 2013). Their study also revealed ICT adoption and the DT was distinctly influenced by industry development and turbulence and depended on the size of the organization. In particular, medium-sized organisations were inclined to use IT to enhance their product

development and expand their company during times of turmoil and growth. On the other side, smaller firms benefit from DT owing to pressure from customer demand supply chain (Chen, Jaw, & Wu, 2013). Studies in the fabric sector of small and medium- sized enterprises in Taiwan endorsed favourable and substantial results of service-oriented portal features, links between portal utility, portal interface, service-oriented portal function and perceived organisational performance (Paolo & Cantamessa, 2013). In a research concerning technology- based small companies it was discovered that companies were more uneasy using ICT applications when there was inter-organisational communication, due to the levels of trust required and the implementation of ICT for cooperation may not be appropriate (Parida, 2010).

### **Strategic Challenges of Digital Transformation**

Researches have focused less attention for SME digital transformation in developing countries which is contrastingly different from developed countries due to the economic, political, social and cultural differences and legal aspects (Mehrtens, Cragg, & Mills, 2001). These factors are extremely important if governments plan to embrace technology for economic development. SME's in developing countries, such as Sri Lanka are faced with a lack of sound telecommunications infrastructure, absence of knowledgeable and qualified personnel, lack of internet accessibility, limited credit card and bank accounts, low PC ownership (Anigan, 1999; Deichmann, Goyal, & Mishra, 2016). These are factors that cannot be addressed by the SME's alone. They have no control over these factors and need to "craft" themselves to either avoid or find ways in which they decrease their degree of impact. However, there is opportunity to address these issues as an industry working together and influencing the relevant authorities.

The digital gap between companies is described as the difference between the efficient use of ICT for productivity increases (Wielicki & Arendt, 2010). His comparative study conducted among SME's in the USA, Spain, Portugal and Poland verified a hypothesis that the more knowledge-based a given market is the more probable that the ICT implementation barriers will move away from lack of finances and technology to absence of knowledge, education and information systems planning. For this reason, European Union (EU) has evolved their slogan from "access to all" to the "skills for all" (Arendt, 2007). In which case, the study may well serve how governments will allocate its resources to overcome the digital divide that limits the productivity of SME's. Previous studies report a significant link between cultural dimensions and different facets of ICT usage (Davison & Harris, 1999; Mahmood, Burn, Gemoets, & Jacquez, 2000; Loch, Straub, Karhanna, Evaristo, & Srite, 2000). A recent study done by Singapore Management University – Executive Development (SMU-ExD), Tata Communications, DBS Bank and KPMG in Singapore have launched a report on a new study entitled "Cultural Transformation in the Digital World" that looks at the digital transformation journeys of major businesses (Enterprise Innovation editors, 2011). The report confirms that Culture determines transformation, not technological know-how and is based on 87% of respondents agreeing that the "way of life" created larger limitations to



digital transformation than technological know-how and 70% agreed that their leaders had the ability to provide leadership on digital transformation, but solely 50% believed that they had been appreciative of implementation issues. The study also confirms that Digital transformation solely succeeds if it's rooted in behavioural alternate and teams will solely embrace change if they understand why transformation is wanted and if they have faith in their leaders. Each path of conversion is distinctive, but the study indicates prevalent cultural characteristics for effective people – openness, flexibility, and agility. Additionally, four dimensions of culture (power distance, uncertainty avoidance, individualism and masculinity) were highlighted to show cultural difference between countries has its own cultural values that influence the adoption of ICT (Hofstede 2001; Iman, Khaled, Donald, & Musa, 2006).

The era of network intelligence is said to be a phenomenon that is all- encompassing and revolutionizing. This fresh era is gradually pushing us to rethink our perception of traditional economic concepts, wealth development, company organisations, and other organizational buildings. Such a change in financial and social relations is promising and dangerous. The electronic economy is taking shape and undermining standard concepts of how companies are organized; how companies communicate; and how customers get facilities, data and products (Mićić, 2017). However, Europe's technological map shows that those nations with elevated levels of ICT investment are the nations with elevated per capita GDP as well. However, technological map of Europe identifies that those countries with high level of ICT investment are those countries that also have high GDP per capita (Mićić, 2017). We illustrate DT's position in strategizing effective business models such as "TechCrunch," a news website for the electronic economy, "Uber," the world's biggest cab firm that uses no cars, "Facebook," the most famous media proprietor in the world but produces no material, "Alibaba," the most precious distributor without stock. These business models won the competitive edge via widely validated concept of customer engagement which enables effective long-term results for a business (Siriwardane & Dissanayake, 2018). There are fundamental areas of digital transformation central to business success in the digital economy. Today, where and how we work has changed, people regularly work from different offices, their home, or a local coffee shop (Araujo, 2019). This requires businesses to control a dynamic ecosystem of intelligent and enable next-generation digital commercial enterprise procedures that show to be effective, even when dispensed across a range of locations and time zones. Customer experience within B2B as well as B2C alike favour to interact with businesses when and where they desire and in a manner that is most suitable to them. Customers also want to engage with products through seamless, omnichannel, direct, contextual and customized (Westerman, Bonnet, & McAfee, 2014). Such engagements are strategically supported by digitalized communication options (Siriwardane & Dissanayake, 2018).

The evidence of labour disruption outcomes in emerging economies are still not certain due to DT, but the evidence points out that new digital technologies have an unfavourable effect on less skilled

workers (Brynjolfsson & McAfee, 2014). However, as DT have shifted across a broader spectrum of jobs and sectors, the demand for analytical, interactive and problem-solving employees has increased (Autor, Levy, & Murnane, 2003). In this sense (Acemoglu & Autor, 2011), it is estimated that the availability of qualified human resources does not meet the requirement created by the technological shift and this in turn has led to a rise in salaries of highly qualified people. This will then involve policy-making that combines the development of creative ability, "learning ability" and the generation of human resources. Implement strategies directed at lowering the cost of acquiring technology, coaching staff and providing consultancy facilities to businesses wishing to start a DT cycle (Brynjolfsson & McAfee, 2014). The challenge of going forward is that digital transition encompasses the need to reconsider particular sector-based policies established within organizational silos. Governments need to create cross-institutional connections to foster education ICT, economic advancement, scientific and technology cooperation in the development and joint implementation of strategies. Furthermore, the potential range of government strategy must extend considerably beyond traditional fields such as taxation, competition and electronic literacy to include fresh fields such as privacy, cyber safety and the promotion of digital adoption such as confidence and improved client experience. The difficulties for policymakers are, of course, enormous, but so are the advantages for people and the need to mitigate any future disruptions.

Industry 4.0 Digital transformation is still at its infancy, connected to technologies such as robotics, 3D printing, machine learning, artificial intelligence, augmented reality, drones, and big data analytics. Researches acknowledge that living standards will not improve if productivity does not increase (Baumol, 1996). In this sense, taking into account the benefits and threats involved, authorities need to devise the correct policy tools that can maximize their benefits while restricting the risks of disruption. In specific, strategies directed at encouraging development in advanced technologies while mitigating disruption of the workers in developed countries where there is a need to improve government spending on training to boost the abilities (including digital skills) obtained through training (Aghion, David & Foray, 2009). Implementing labor measures aimed at allowing employees to maintain their present employment or migrate into latest areas of demand (work placement facilities, unique labour market programs, apprenticeship programs) and subsidizing low skilled employees work disruption (tuition free education, temporary reduction in salary taxes, basic salary guarantees) and enforce measures to increase geographic mobility (reduction of relocation expenses, subsidized homes) and to encourage supply for qualified employees by accelerating the pace of development in fields expected to be impacted by work disruption.

## CONCLUSION

In the digital era, digital transformation (DT) has gained considerable attention by practitioners and scholars alike. It presents a further advancement of using digital technologies to deliver excellent engagements with clients or find ways in which the enterprises benefit from efficient processes. The preliminary study explores the digital transformation of SME's in Sri Lanka, understands the key strategic enablers for digital transformation, the support activities required to overcome barriers. The study indicates that DT puts SMEs in an excellent position to improve on the productivity levels when it comes to digitally transforming and evolving to digital maturity stage. However, the key strategic enablers both internal and external to the organization could differ in its impact from country to country Evidence is also found for the successful DT of SME's in many international cases. However, the success of DT in developed countries to transform the business value through the use of digital transformation has not reflected in emerging countries like Sri Lanka due to the substantial impact of the key enablers. The ICT policy of Sri Lanka has been attributed by initiation on knowledge-based society enabling new forms of business approaches (Dissanayake, 2011). However, challenges are still found on how such digitalization is operationally connected to business processes of emerging economies including Sri Lanka. Future studies may focus on such hands-on research issues whilst SMEs are considered as a curtail context depending on its impact on holistic economy. Since there are limited studies that have examined DT on SME's in Sri Lanka, the study first attempts to identify and understand the key strategic enablers effecting digital transformation. We suggest that the next step would be to develop a practical strategic framework that will help SME's in emerging countries like Sri Lanka to digitally transform their business. Empirical studies could investigate both people and technical perspectives when it examines the digital transformational challenges found in SMEs.

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