

DIGITALIZATION AND ITS IMPACT ON BUSINESS PROCESSES

Emanuel Galyarski¹, Nadya Mironova²

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Abstract

Digitalization affects all activities in the companies, changes the business models, the way of production and the used channels for marketing and offering the products to the clients, the activity of the employees. The digital transformation requires companies to change their traditional business strategies to meet changes in market demand and remain competitive in large markets. However, there are still not enough studies to state categorically that all companies need to digitize their processes and change their business models.

Keywords: *Digitalization; innovation; benefit; business processes and models*

JEL Codes: *M10, M15, M16*

Introduction

In the last few years, globalization and changes in technology have led to new challenges for most companies, allowing them greater flexibility in terms of production and targeting products and services to customer needs by changing the established business processes.

Digitization is generally a process of converting analog to digital data that is used to restructure companies' activities and processes in order to optimize the resources used in order to reduce costs, improve customer service and increase efficiency of the activities performed by the employees (Rachinger et al., 2018).

Digitalization supports the restructuring of all processes in the company, which leads to new ways of offering products and services and reaching customers and new collaborations with other companies. In order to be competitive, companies should identify their new business opportunities offered by digital technologies and quickly adapt their

¹PhD Candidate, Department of Management, University of National and World Economy, emanuel.galyarski@gmail.com, ORCID ID: [0000-0003-4149-2577](https://orcid.org/0000-0003-4149-2577)

²Prof. Dr., Department of Management, University of National and World Economy, n.mironova@unwe.bg, ORCID ID: [0000-0003-2218-8772](https://orcid.org/0000-0003-2218-8772)

business models to be able to create higher customer value while reducing their costs (Kiel, 2016).

The question is whether the growing number of opportunities provided by digitalization is forcing all companies to completely change their business strategies and processes, or whether this is an opportunity that every company must choose and follow or not. A study on digitalization concludes that companies must manage and implement digitalization in all company processes before the digital transformation itself can make their company less competitive (McKinsey, 2014). However, many companies face difficulties in organizing their processes, the lack of sufficiently trained employees and accountability to show the results of digitalization. The study of McKinsey also shows that according to company executives, they will have to allocate more and more funds to digitize their processes, which will help them change their business models or build completely new ones.

This shows that the introduction of digitalization is still happening without all companies being fully prepared for it.

Digitization in the company

The introduction of digital transformation is changing not only the company itself. The new internet technologies that are being created by the digital transformation are affecting the overall economy and changing the principles of product offering and customer reach. Society now has new expectations for companies to provide them with more and more convenience while shopping, to be available 24 hours a day, to always be "online" to answer their questions. All this requires companies, if they want to stay in the market and respond to these changes in customer expectations, to quickly change their business processes and models to be efficient and not "obsolete" to the technologies used.

Digital transformation is used by companies from different sectors of the economy, observing the application of different technologies in products from different industries. Therefore, there are three types of digitalization of products, depending on the field of activity of the company - physical products that are only offered digitally, digitally selected physical products and fully digitized products (Bican & Brem, 2020).

All these changes caused by digitalization completely change the business processes of companies, forcing some companies to close down due to the inability to respond to these changes. The dominant companies in the market face new competitors who quickly change their established business processes and replace them with new ones - digitalized. In the fast-growing global industry, more and more companies are competing to create a new business model, often using the same idea or technology from different companies, forcing them to constantly look for new business models that are most optimal for them of their products. An example of this is the development of companies offering mobile phones that are constantly evolving and digitizing to offer their customers everything they need.

At the same time, when one of these companies changes the way it offers its services and benefits to customers from using their products, very quickly the other competing companies also start offering similar products and services (such as A1 and Vivacom). Meanwhile, customers access information through the Internet and have multiple channels to choose between different companies. The competition between companies and attracting customers is growing and all companies either have to constantly change their business processes in order to succeed in the digital world and fierce competition or to give up (Verhoeven & Johnson, 2017).

A business model describes how a company creates and delivers value to its customers through all the mechanisms, procedures and activities it uses to create and add value, as digitalization leads to changes in this model and built processes, which requires completely new activities throughout the company – who will do what and how will do it in a new way.

In recent years, the business processes and activities of companies are increasingly becoming a source of innovation and competitive advantage. Digital technology is a process of developing a business process that can be new to a company if it is now being created or completely changing if it is already created and changing. This is the result of an innovative initiative that replaces or reworks the existing activities in the company, which can become a sustainable advantage for the company by creating a completely new system of activities used (Amit & Zott, 2017). Therefore, the degree of innovation determines the change in business processes in the company.

As a result of digitalization, companies are creating new activities and processes that did not exist before, affecting employees, communication and the whole business (Hausberg et al., 2019). This is confirmed by the availability of new large sources of data about the company (Hartmann, 2016), process automation, new marketing relationships with customers and the need to create digital customer service, which leads to the restructuring of individual departments in companies and the company as a whole.

There are different ways in which digitalization affects and changes companies and their business processes:

- change in the established business processes - digitalization of products and services provided to customers, analyzing large amounts of data for decision making;
- developing a new business process (creating new products/services) – the transformation of the overall business model.

The company's management will now be influenced in its chosen way of managing the new models and processes as a result of the digital transformation. Customer relationships will also be based on changes in business processes in the form of new proposals aimed at creating long-term relationships and meeting their needs. Digital transformation is often seen as a cultural change that must take place in the organization (Mege, et al. (2019).

New ways of offering products and services to customers require companies to implement new information technologies, ie. new hardware and software. Most companies do not have such technologies, as well as trained professionals to work with them. Therefore, they should seek a partnership with specialized companies, which, in addition to providing them with the necessary technologies, should teach them to work with them and maintain and develop them over time. If companies want to successfully digitize, they should keep abreast of all innovations related to the external environment in which they operate and the change and development of technology.

In order to successfully change the company's business processes and market influence, the company must analyze various alternatives, have a good understanding of customer requirements (Teece, 2018), an accurate understanding of the value chain, so as to deliver what customers need as much as possible profitable on time.

Therefore, the ability to adjust and improve business processes and activities can be seen as the dynamic ability of the company to change in accordance with market requirements and customer needs (Dottore, 2002).

The elements of the business model and its overall innovation must be internally coordinated and changed in a way that ensures a change in the company's business processes and provides the planned added value for the customer. In addition, the new business model due to digitalization must be in line with the internal structure, the overall management model of the company and the changes in the external environment (Birkinshaw & Ansari, 2015).

Changes in business processes allow for the introduction of new technologies and production of new products with better qualities than those of competitors, and may completely change the industry and the field of activity in which the company usually operates.

Through innovative activities, the digital transformation can respond to changes in the market in terms of the way products are offered and the change in customer needs. Responding to customer needs is an important part of the company's development and in particular its digitalization, because every change is made in response to customer demand.

Companies are increasingly adding services to physical products or offering complete solutions for their customers in all levels of communication with customers - before the purchase (during the search for information, review and evaluation of various products), the purchase stage (selection, order, payment), and the stage after purchase – consumption of the product and evaluation of its qualities (Werner R. et al., 2019).

The ability of companies to quickly understand the need to digitize part or all of their processes is extremely important for corporate governance and the ability to analyze and evaluate the necessary changes.

Effects of changing business processes due to digitalization

An example of a digital transformation with a complete change in the business model can be given with two companies Apple and HTC (Taiwanese manufacturer of mobile devices). Since its inception, Apple has offered sales of hardware and software. As she developed her products, she created the iPod, and subsequently offered to download music to be used on the new device as an added value for her customers. In this way, the company, in addition to creating a new product, changes its activity into an entirely new field of activity, which it has not developed so far, thus transforming the business processes and the overall business model of the company. Apple continues to develop this activity as the product develops as a portable media player, but at the same time the company creates new products in the field of personal computers, ie. the company has not completely changed its field of activity due to digitalization but is creating new processes (Gupta et al., 2013).

Another such company that is changing its business model through digitalization is HtC, offering mobile phones. HtC initially produced mobile phones, but in 2006, in response to changes in market demand, customer needs and the development of competitors, it began manufacturing its own smartphones, offering them to customers through its already established distribution networks. Thus, due to changes in the offered competitive products, the company changes not only its processes but also its overall business model by expanding its product portfolio.

If we compare the effectiveness of the change in business processes due to the digitalization of HtC and Apple, we will find that the rapid development and penetration of technology into business processes may not always provide a sufficient competitive advantage for companies. HtC has not been involved in the creation or delivery of mobile content or services, ie. only adds a new product that produces and generates revenue only from hardware sales, which is different compared to Apple.

The impact of digitalization on various aspects of value creation is perceived as a dominant theme in the industry (Dijkman, 2015). For example, In the automotive industry, the complexity of corporate relationships caused by digitalization between suppliers, customers and competitors is growing, as the business model is completely changed by expanding, reviewing, discontinuing and creating new products and services. Examples of expanding the business model are increasing of communication with customers through social networks and offering virtual showrooms for viewing products, etc. (Risanow, 2017).

In the media industry, digitalization has been influenced by changes in the way social media is used. Increased use of social networks (such as Facebook and Twitter) is becoming a news platform for disseminating information and news to users. as a source of new information, it forces newspaper publishers to rethink their overall strategy for offering

news to their customers. This has forced more and more publishers to offer online versions of their paper editions, which are less and less used. At the same time, traditional business models have not been completely replaced by new ones, but have only been changed to meet customer demand (Praprotnik, 2012).

As a result, it can be said that the impact of digitalization on the elements of business processes and therefore the potential optimization depends largely on the field of activity in which the company operates.

Not to mention the challenge in the field of recruitment and qualification of employees, which is faced by all companies wishing to change their business processes. This also determines the need to build and create the know-how needed to complement the digitization opportunities provided, which is considered to be extremely appropriate.

It is extremely important for every business to have additional competencies and know-how in order to be able to offer new services or solutions. Therefore, companies need to develop dynamic capabilities to be prepared for changes in their business processes. The readiness for change of each company is its ability to change its business model in response to changes in the environment in which it operates (Saebi, 2015).

Conclusion

Every change in customer expectations, the way products and services are offered by competing companies and the introduction of new technologies requires companies to quickly adapt to change if they want to stay in the market. The entry and use of more and more digital technologies implies a rapid change of existing business models and processes. A competitive advantage for each company is its ability to quickly adapt to technological change, to create additional added value for its customers and something extremely important - to do it before all other companies have done so. The only way for companies to be competitive is to be able to adapt and completely change their business models and processes.

To be successful change business processes and models should:

- initial research of customer needs and expectations;
- assessment of the extent to which the company can meet these needs and whether it has the available human and technical resources for this;
- preparation of a long-term strategy for the development of the company and setting clear and measurable goals
- change in the business model in order to adapt it to the new requirements of customers and the competitive market
- change of the established business processes and activities depending on the new business model

Any change in the market and customer requirements is an opportunity for the company to change its business model and processes to become an organizational transformation and even to create completely new products or offer new services that have not been in the product portfolio so far. This requires excellent management skills and teamwork to reliably evaluate current business processes and effectively create new ones.

The findings of the article contribute to the analysis of the impact of digitalization on the company and its business processes, as well as on the need for continuous change in relation to the environment. It is indisputable how many challenges and at the same time opportunities for development digitalization offers for each company, regardless of its size and field of activity. Based on the given examples of digitalization of existing companies, the impact of digitalization on business processes is strengthened (in some cases successfully, in others - not).

As with any study, this study may have some limitations. The main limitation is the lack of sufficient information about the effect of changing the business models of existing companies, as this effect is observed years after the introduction of digital transformation, and currently this process is relatively new, so the topic requires further study over time.

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