

SPECIFICS OF DIGITAL TRANSFORMATION IN BUSINESS

Milena Filipova¹, Dilyana Yaneva², Ion Mierlus-Mazilu³

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Abstract

*Global business is digitizing, leading to new challenges. There is a need to introduce up-to-date innovative approaches, models and strategies for digital business transformation. As a key factor for business competitiveness and growth, digital transformation becomes an important tool of sustainable development, providing opportunities for fundamental innovative changes in the organization and management of companies. **The main goal of the article** is to clarify the main characteristics of digital transformation and its role in the development of modern business. **The main research methods** involved in the development are content analysis, method of analysis and synthesis, method of observation, intuitive and systematic approach.*

Keywords: digital transformation; digitization; innovations; business; sustainable development

JEL Codes: M10, M21, M31, M33

Introduction

The dynamics of modern business development, related to the search for ways for future growth and innovation opportunities, improvement of the economic condition of enterprises and their competitiveness, determines the need for its digital transformation. Some of the main characteristics of the external environment of enterprises are its strong instability and high dynamism, the continuous strengthening of competition in the sectoral and/or regional markets, the extremely rapid development of information technologies, leading to major changes in the conditions of the competitive struggle (Dimitrova, 2014, p.

¹ Professor at the Faculty of Economics, South-West University "Neofit Rilski", Blagoevgrad, e-mail: mfilipova@swu.bg; ORCID ID: <https://orcid.org/0000-0002-5003-006X>

² Associate Professor at the Faculty of Economics, South-West University "Neofit Rilski", Blagoevgrad, e-mail: d_janeva@swu.bg, ORCID ID: 0000-0003-3472-4595

³ Associate Professor at Technical University of Civil Engineering, Bucharest, e-mail: ion.mierlusmazilu@utcb.ro, ORCID ID: 0000-0001-5002-7963

5). In the conditions of such a multifaceted and complex competitive environment, distinguished by a high degree of dynamism and instability, at the current stage, enterprises are faced with a number of current problems affecting all areas of their economic activity (Dimitrova, 2023, p. 190).

The new conditions of global competition and changes in relationships with customers and partners lead to a drive for digital change, which in turn is related to the creation of new models of organization and management in companies. The rapid change and growing importance of digitization processes affects business functions, communications and interactions, forcing a rethinking of companies' processes, policies and strategies and leading to the emergence of a new digital culture.

At the same time, digital transformation affects not only business and economic life, but also affects social processes. It maximizes the benefit of implementing innovations that promote environmental and social benefits (Ilcheva, 2020, p. 241).

Problem statement

Digitization has both its positive and negative sides, but in today's world it affects all areas of our lives. The sharp changes in the external business environment and the internationalization of business are invariably linked to the innovation opportunities provided by the introduction of digital technologies. The COVID-19 pandemic has led to an acceleration of the integration of digital innovations due to the resulting changes in consumer behavior, consumer attitudes and business processes (Genov & Hadjitchoneva, 2021, p. 478).

Defined as an important driver of value, digital technologies change modern business by allowing easy access to information, automation of production, integration of processes, optimization of used resources, reduce costs and increase financial income (Næss-Schmidt et al., 2020, p. 13). At the same time, they stimulate businesses to look for new ways to create and maintain competitive advantage and sustainable growth. The use of digital technologies in the context of modern strategic management creates prerequisites for the improvement of interaction with stakeholders, the creation of new jobs and the increase of the efficiency of the workforce through the implementation of new models of work and organization. In addition, digitization leads to the acceleration of business activities and processes, introducing new requirements for management knowledge. The new conditions for business development impose requirements for increasing digital marketing skills as an effective way to reach the market (Kyurova, Yaneva, & Zlateva, 2019, p. 61-72).

These new business opportunities require a rethinking of traditional economic theory in the context of one of the leading topics in the last decade - the digital transformation of modern business.

According to some authors, digital transformation is the most significant term that defines the impact of digital technologies on society (Larsson & Teigland, 2019). It is more than the introduction of innovative devices and new software (Yuleva-Chuchulayna, 2021a, p. 57). It represents a process of replacing traditional existing business processes with innovative ones (Yuleva-Chuchulayna, 2021b, p. 220), using advanced technologies, causing a fundamental change in the economy, organizations and society (Yordanova & Stefanova, 2019, p.7). Digital transformation offers an opportunity for businesses to redesign their business processes by the introduction of digital technology and a digital mindset (Kyurova, 2022b, p. 21). It is caused by the constant progress of digital technologies, which forces companies to adapt their strategies, business models and investments by aligning them with future markets (Yuleva-Chuchulayna, 2021c, p. 144). Genov and Hadjitchoneva (2021) even define digital transformation as a factor for survival in the changed context through the introduction of digital high-tech solutions in organizations, dictated by the need for timely and rapid adaptability and flexibility (p. 468). Galyarski (2020) enriches the above opinions, defining the transformation in a digital environment as "a tool for ensuring an optimal transition to an innovative corporate culture, optimization of processes, business models, products and services" (p.175).

It is becoming clear that digital transformation is aimed at affecting all aspects of business from the organizational structure of companies, through research and development, production and productivity analysis, to the way they generate revenue (Lazarov, 2020, p. 259). In their developments, a number of authors advocate the thesis that the transformation of the business model through digital modification of the business is a new digital business and digital globalization. These processes take place by adding digital content to existing products and services and introducing new digital solutions. Digitization of services accelerates globalization. Multinational companies use it to reduce the cost of managing human resources, finance, production and design through global outsourcing. In emerging high-tech companies, digital technologies enable globalization already in the first years of their emergence (Westerman et al., 2011, p. 5-34).

From the above, it is clear that the opinions of Bulgarian and foreign authors are united around the importance of digitization and digital transformation for modern business. Based on them, we will give a generalized definition of the concept by outlining its role and specific features.

Technology has changed people's lives. Today's consumers have technological knowledge. They demand and constantly look for new offers and innovative solutions. (Stavrova, Zlateva, Pinelova, 2021a, p. 129). Overall, technological changes are immensely changing the way of doing business (Kyurova, 2022a, p. 14). In search of ways to adapt to

the highly dynamic external environment, digital transformation becomes a key priority for every company. As a result of the digital revolution, internationalization of business and global competition, it is becoming a driver of fundamental innovation changes in business models, approaches and processes in organizations. It represents a process of transformation of traditional functions, procedures, communications and organizational capabilities into a new digital way of thinking and behaving.

Digital transformation aims not only at digitization of technologies and automation of processes, but at increasing productivity, competitiveness of offered goods and services, innovation, research and development, interaction with partners, service and more complete satisfaction of consumer needs. As for the innovation activity, it is necessary to take into account that there is a continuous aspiration of the business to use innovative technologies and materials, create innovative products, develop strategies for innovative development, which in turn is a prerequisite for ensuring competitive advantages (Kyurova, 2015, p. 196). This change in the way the business operates, in turn, creates new efficient organizational and management forms, enhances the corporate image and company climate, increasing profitability and leading to growth and stabilization of market positions.

At the same time, it is also important for dealing with a number of socially significant problems such as social exclusion. The creation of new social relationships and partnerships, the improvement of working conditions and the quality of life of the employed, the stimulation of the active inclusion of disadvantaged people and the application of social innovations in the field of social services are just some of the advantages that digital transformation offers. It is necessary to rethink strategic approaches and direct business towards ecologically oriented thinking and socially responsible behavior (Stavrova, Zlateva, Vladov, 2017, p. 31). Furthermore, the future belongs to investing in the development and implementation of effective solutions regarding the transformation of sustainable development through digital innovation (Kirilov, 2018) and green digital transformation.

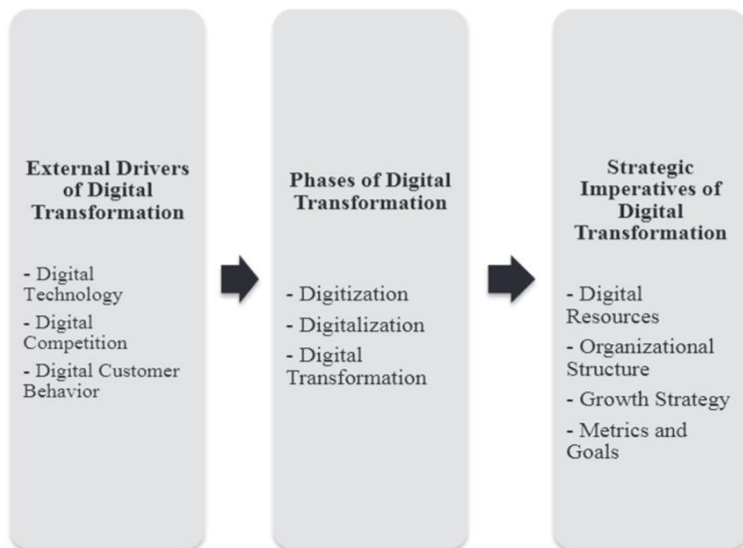
Specifics of the process of digital transformation

After the literature review, it is established that for the study of digital transformation, special attention should be paid to the factors, tools and stages of the process. The lack of a clear market definition of platform businesses creates a need for a more holistic perspective on how markets create, deliver and add value through their business model configurations. Therefore, to meet this need, it is necessary to study the distinctive types of business models in the market through a systematic study of their elements (Stavrova, Zlateva, Pinelova, 2021b, p. 88). A key role in clarifying its essence

and specific characteristics is the identification of models and strategies for business reorientation in a digital direction.

Of importance for the purposes of the study is the view of Vertoef et al. (2021, p. 890-891), who present a flow model to describe the drivers, phases or levels, and imperatives of digital transformation. They identify three major external factors driving the need for digital transformation. Due to the increasing number of new digital technologies, competition is changing drastically, changing consumer behavior in turn.

Figure no. 1. Flow Model for Discussion on Digital Transformation



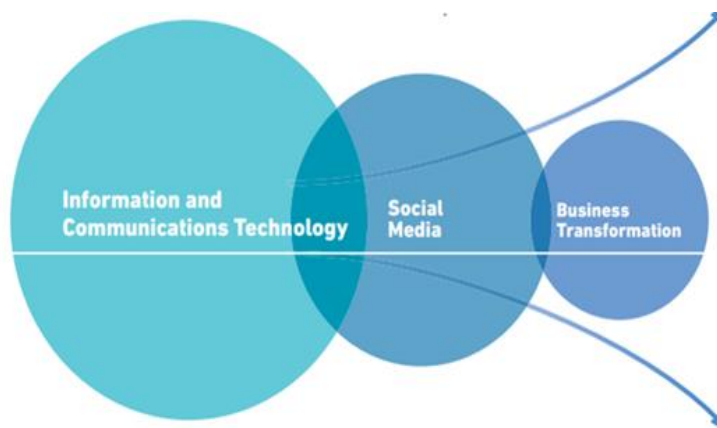
Source: Vertoef, P. et al. (2021). Digital transformation: A multidisciplinary reflection and research agenda. *Journal of Business Research*, Elsevier, 122 (4), p. 890.

Digitalization has a strong impact on business innovation (Yuleva-Chuchulayna, 2021b; Kalaydzhieva, 2014; Kalaydzhieva, 2016a, Zlateva, 2019) and competitiveness (Logodashki, 2019; Yuleva, 2019; Kalaydzhieva, 2016b). Its influence on marketing and, more specifically, on the purchase decision, consumer tastes, habits, satisfaction, etc., is unchanging. Building profitable business models is a consequence of the constructive and creative thinking of modern marketers (Zlateva, Vladov, 2017, p. 31). In this regard, Yordanova and Stefanova (2019) consider five groups of business factors as drivers of business transformation:

- providing a consistent and personalized product range to customers across all possible channels;
- developing a competitive advantage by creating unique opportunities to improve customer satisfaction;
- gaining a deep understanding of customer behavior in order to increase loyalty;
- conducting effective and targeted marketing campaigns, the result of data analyzes from multiple sources;
- reducing costs by optimizing inventory and supply chain management (p.7-8).

The digital revolution is invariably linked to social impacts primarily through social media. Therefore, Næss-Schmidt et al. (2020) pay attention to tools supporting business transformation, presenting the progression from information and communications technology (ICT) to social media (p.44).

Figure no. 2. Tools supporting business transformation

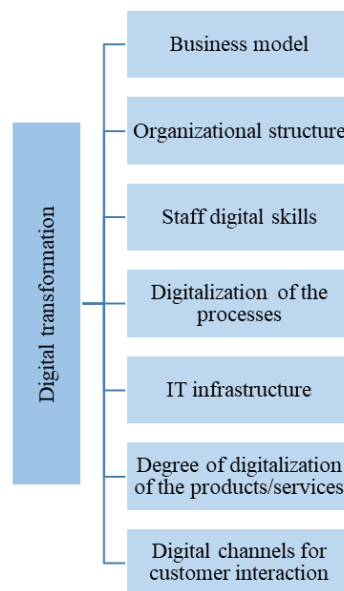


Source: Næss-Schmidt, S. et al. (2020). Digital transformation in business – the facebook company, Copenhagen economics, p. 44.

Examining the opportunities that digital transformation provides for business is also related to the stages of the process itself. According to Vertoef et al. (2021) the process begins with digitization - the encoding of analog information into a digital format such that computers can store process and transmit the information. In the transition to digitalization, IT or digital technologies are used to change existing business processes. Digital transformation represents the overall change of the company that leads to the development of new business models (p. 891).

A more detailed study of digital transformation is done by Slavova (2016), who examines seven mandatory elements of the process presented in Figure 3 (p.145).

Figure no. 3. Elements of the digital transformation process



Source: Slavova, M. (2016). Digital transformation of business. Economic alternatives. [Online] 4. pp. 142-149. Available at: <https://www.unwe.bg/alternativi/bg/journalissues/article/10132>

Of interest is the opinion of Strømme-Bakhtiar, who considers a model for dealing with DT containing five stages: insights, impact, scenarios, business cases and trend watching. The first stage is related to the understanding of the coming changes by everyone involved in the process. In impact analysis, the stakeholders must understand the change in the relationship between the company and the external environment through the so-called drivers of transformation: transparency, accountability, proximity, responsiveness, bi-directional, humanization and authenticity. Scenarios consider at least four possible versions that could happen in the future. At the fifth stage, specific projects are developed to be launched. In the final phase, innovations and changes in technology must be permanently monitored (Strømme-Bakhtiar, 2020, p. 96-97).

Similar is the perception of Bosse & Zink (2019), who consider the process of digital business transformation through the prism of the phases of inspiration (familiarity with existing innovative technologies and solutions and good practices); orientation (the

determination of the company's position); planning (defining initial projects, forming teams, setting goals and presenting them to stakeholders); implementation (performance and commitment by staff); evaluation and adjustment (gaining insight into subsequent projects and process improvement) (p. 20) .

At the same time, some authors (Galyarski, 2020) consider digital transformation as a long process that "often encompasses more processes or a collection of smaller projects". This interdisciplinary process goes through the following steps:

- choosing a process to optimize by introducing a new system;
- leveraging digital innovations through the creation of a more efficient business model;
- partial synchronization of two or more digitized processes;
- overall synchronization – validation of the digital platform and the new business model;
- making digitization an invariable part of the company culture and optimization process (p.170 - 171).

As it became clear, shaping the digital transformation requires new strategic and behavioral approaches. Stankova and Kaleichev (2023) researching the tourism industry, assume that the ever-widening use of digital tools gives individual companies a new field of expression. According to Lazarov (2020), the business needs the transformation strategy as a key role in the process plays the use of the opportunities of digital technologies and its main directions should include:

- assessment of the possibilities of digital technologies for their transformation into a digital transformation strategy unified with strategic corporate goals;
- driving innovation and digital transformation by applying the best available technologies;
- cross-functional management and leadership;
- integration of digital technologies for transformation of business processes;
- development and implementation of new digital business models;
- assessment of the effect of applying digital technologies;
- talent management and creation of the necessary competencies to apply digital technologies for business optimization;
- assessment and management of operational risks in the transition to a digital environment for managing business processes.

The author outlines eight stages of an effective digital transformation strategy:

- establishing a baseline;

- informing and involving staff;
- determination of priority directions for digital transformation;
- team selection and improvement of the organizational structure;
- preparation and implementation of road maps for key projects in the priority directions;
- regulation and goal setting;
- implementation and implementation of the projects;
- optimization and improvement using the implemented digital technologies (Lazarov 2020. p. 264-267).

Rogers describes the landscape of DT for today's business by presenting five key domains of strategy reshaped by digital forces: customers, competition, data, innovation and value (Rogers 2016, p.6). Westerman, Bonnet and McAfee (2014) distinguish two critical capabilities that constitute the digital new age: digital capabilities and leadership capabilities. On the one hand, company management should look at technology as "a way to change the way they do business" and "tools to get closer to customers, empower their employees and transform their internal business processes". On the other hand - leadership capabilities are related to the way of leading change (Westerman, Bonnet and McAfee, 2014, p.6).

Based on the above, we must make the important clarification that the digital transformation strategy should be relevant to the emerging challenges from the external environment and adaptable to the internal business environment. Priority attention should be given to building long-term and sustainable competitive advantages through innovation. It is a fact that innovations contribute to the construction of a competitive advantage and increase in competitiveness, as well as to the advancement of scientific and technical progress (Kyurova & Koyundzhyska - Davidkova, 2020, p. 200). An important condition is for the management team to build an understanding of the digital transformation of the business as an important tool for the introduction of innovative changes in management approaches, organizational strategies and company culture. It needs to build transparency, continuity and management support. The connection between business and education plays a decisive role here. Realizing the potential of digitization for corporate development and stability, efforts should be directed towards improving the qualification and digital knowledge, skills and competences of the citizens through "lifelong learning", the application of alternative forms of education, etc.

Conclusion

From the above, we can conclude that digital transformation has a serious impact on business development. This process displaces the traditional models, approaches and strategies for the organization and management of companies by imposing the need for the application of innovative strategic thinking and behavior. It has a key role in increasing competitiveness, company growth and prosperity, therefore a long-term orientation towards sustainable digital transformation is needed through in-depth research and optimization of innovation opportunities; updating management concepts and approaches; optimization of marketing planning, organization, implementation and control in line with the changed requirements, behavior and relationships with partners and customers in a digital environment.

The topicality of the considered issue arouses the scientific interest of the authors, as it will be developed in subsequent scientific works. Future directions of research will focus on the problems and prospects of digital transformation in SMEs.

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