



# EFFECTIVE DIGITALIZATION OF BUSINESS AND INCREASING COMPETITIVENESS

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The digital transformation and the resulting innovations of business models radically change the expectations and behavior of consumers, putting enormous pressure on traditional forms of corporate governance and distorting competition in different markets. The interest in the digitalization of companies in recent years does not only apply to social media, platforms, websites, etc. This is the integration of digital technologies in the company's activities, by converting analog information into digital form, which includes every activity and process in the organization, significantly influencing corporate governance<sup>1</sup>.

The process of digital transformation replaces the traditionally used business processes with innovative ones, dictated by the new requirements of customers in terms of their expectations for online shopping, access via their mobile phone at any time to e-shops and 24-hour customer service.

Therefore, the working hypothesis of the publication is that through effective strategies for digitalization of business, companies will be profitable and maintain their market position, while increasing their corporate competitiveness. The digital transformation will allow a detailed analysis of customer needs, resulting in increased sales. By optimizing the internal processes by using digitalization, the company's costs will be reduced.

The main goal of this publication is to present and analyze the importance of digital transformation to increase the competitiveness of the company.

To achieve the set goal, the following tasks

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will be performed:

1. Analyzing the impact of digital transformation on the business processes of the company.

2. Presenting examples of companies that have successfully increased their company competitiveness through the effective use of digital technologies.

Digital technologies have changed the way that companies operate in the market, both in terms of what they sell and in terms of how they sell. Digitalization is a major trend in the development of companies in recent years, which is why many marketing and other researchers have devoted their analysis to its impact on corporate governance<sup>2</sup>.

For example, J. Ross concludes that the digital and the digitalization are two very different organizational phenomena, with the former relating to digital value proposals in the marketplace and the latter relating to the transition from analogue to digital data, which streamlines existing processes in companies<sup>3</sup>. According to other authors, the terms are interchangeable.

Digital business strategies ensure that the business is up to date with the industry, but some people still doubt their effectiveness. Digital technologies and digital strategy make the concept of the company available to its customers 24/7 a reality. This cutting-edge technology has made data analysis and storage easier and more accessible to businesses. Shopping and using services can be achieved easily and conveniently, online with just a few clicks.

Mobile phone transactions are already a popular trend due to their convenience. The costs are kept to a minimum, as are the chances of fraud. The ability of companies to reach more people faster over time, without much expense, is no longer a mirage. Artificial intelligence and automation allow business data to be analyzed immediately, creating a significant difference in the marketing strategies of companies with effective digitalization and those without.

<sup>1</sup> Digitalization & Corporate Strategy, <https://www.mbdconsulting.ch/publications/digitalization-corporate-strategy>

<sup>2</sup> Nadkrani, S. Digital transformation: a review, synthesis and opportunities for future research. <https://link.springer.com/article/10.1007/s11301-020-00185-7>

<sup>3</sup> Ross, J. Don't Confuse Digital With Digitization, *Mit Sloan Management Review*, <https://sloanreview.mit.edu/article/dont-confuse-digital-with-digitization/>



A strategic approach that any manager can apply to analyze the need for digitalization is:

- Evaluation of repetitive tasks, ie. all administrative tasks that are repeated daily, weekly and monthly in the company's activities, as well as tracking the time spent by each employee in the organization for these administrative tasks.
- Analyze the possibilities for data collection where technology can help.
- Exploring the possibilities that different digital technologies can offer for optimizing the processes of data collection and processing.

Undoubtedly, the great impact of digital transformation is to accelerate product development in certain sectors. Large amounts of data stored and processed using digital technologies can be a major source of further improvement in the products and services the organization offers<sup>4</sup>.

Such data are extremely valuable in analyzing the processes in the organization and making important business decisions. The more data the company has processed, the better it can make analyzes that are valuable for company management and the development of business strategies.

#### **However, how should the company digitize its activities and what are the effective strategies?**

In addition to the digital resources needed to achieve digital transformation, a key issue to consider is the organizational change needed to adapt to the new digital changes<sup>5</sup> especially with regard to the organizational structure, which should be sufficiently flexible.

An important strategy in the introduction of digitalization is to apply it to individual business units, and not to the whole company at once. Experimentation, training of staff to work with new technologies, concomitant errors in the developed systems and subsequent adjustments to digitalization, suggest as a more appropriate approach to its initial introduction to be partial - for individual processes, productions, departments, etc.

The use of standard, more hierarchical organizational schemes, with multiple management layers and a strong top-down approach, may no longer be effective in rapidly changing digital

environments, as bureaucracy and the keeping of multiple reporting documents reduce the required rapid speed of organization. The company's response to market changes and innovation.

In order to stimulate their digital adaptability, companies should build flexible organizational forms that allow quick responses to the constant demands of customers. For example, in its digital transformation, ING has adopted the so-called Spotify model with self-managing teams that have a responsibility to act<sup>6</sup>. This approach emphasizes a flexible way of working, involving short cycles for quick confirmation of market requirements updates. According to the company, digital technologies allow dealing with a number of Internet frauds such as customer verification and transaction monitoring and continue their initiatives to use new technologies such as artificial intelligence and robotics<sup>7</sup>.

From the point of view of human resource management, the digital transformation implies attracting employees with digital and analytical skills that can replace the existing workforce<sup>8</sup>. For example, in marketing, traditional trademarks of brands and products are being replaced by experts in online and mobile marketing, while data analysts can take on the role of marketing researchers.

Used by companies digital platforms should allow their use by an ever-increasing number of users, such as customers, suppliers, etc., as well as provide analysis of the most important data for companies, allowing them to develop their growth and development strategies in terms of on:

- entering new markets;
- development of new products and their acceptance by consumers;
- constant development of the market;
- diversification.

Companies can use their digital technologies to achieve significant market growth by attracting consumers who have never used products offered by the company before.

<sup>4</sup> Digital transformation: online guide to digital business transformation. <https://www.i-scoop.eu/digital-transformation/>

<sup>5</sup> Christian M. Hess, T., Benlian A. Digital transformation strategies. [https://www.researchgate.net/publication/281965523\\_Digital\\_Transformation\\_Strategies](https://www.researchgate.net/publication/281965523_Digital_Transformation_Strategies)

<sup>6</sup> Legrand, B. ING's digital transformation: 4 lessons of culture, collaboration & competition. <https://innov8rs.co/news/ings-digital-transformation-4-lessons-on-culture-collaboration-competition/>

<sup>7</sup> Hamers, R. Digitalisation: benefits and challenges. ING. <https://www.ing.com/Newsroom/News/Digitalisation-benefits-and-challenges.htm>

<sup>8</sup> Verhoefa, P. Broekhuizen, T. Bartb, Y. Bhattacharya, A. Dong, J. Fabian, N. Haenleinc, M. Digital transformation: A multidisciplinary reflection and research agenda. <https://www.sciencedirect.com/science/article/pii/S0148296319305478>



An example of this is the company Netflix, which offers streaming services<sup>9</sup> of movies and TV shows<sup>10</sup>. About 30% of Netflix users do not watch the TV channels it offers on its traditional TV, but broadcast the content of the channels through the new digital technologies on tablets, laptops or mobile phones. The opportunity provided by the used digital technologies to Netflix allows them to make an analysis of the behavior of their customers, which analysis can lead to the creation of a completely new product by the company and the entry into new markets<sup>11</sup>.

It is important that not only companies in the digital transformation phase, but also companies in the digitalization phase can adopt these market development strategies. For example, traditional retailers can create an e-shop for products in which to present their competitive advantages in order to attract customers to other stores and increase their market share.

In addition to these more traditional strategies, companies using effective digitalisation can also reach new markets based on a platform that offers the products/services they create in new foreign markets. An example of this is the Norwegian telecommunications company Telenor, which has developed a platform consisting of mobile, fixed technologies that serve a large number of markets in Europe. Similarly, Apple is developing a global system for its phones, tablets and computers, wearables and TVs.

There are two different strategies:

- The first strategy is related to the development of new products offered through the company's new marketing channels, as a result of the digitalization introduced by it. Mobile gaming companies, for example, use electronic platforms to bring their new products to market, at a relatively low cost for advertising and promotions.

- The second strategy is to develop a platform for joint cooperation with external users in order to create added value by giving them the authority to carry out certain activities of the platform themselves.

Examples of such successful platforms are Booking and Amazon. In the form of outsourcing and co-creation of a product, digital platforms allow companies and customers to actively participate in the presentation of a product, while the customer has the opportunity to comment on their satisfaction with the presented and used product/service and thus attract new clients.

More advanced digital platforms even allow customers more rights, for example, they have the opportunity to change roles so that customers become suppliers, as in certain online markets (Airbnb and eBay), or become assistant producers of the product, taking care of accompanying production activities such as assembly and delivery<sup>12</sup>.

Some companies may choose to combine all approaches into one strategy, which is to diversify the digitalization platform. This growth strategy is often used by large, successful platforms aimed at creating additional growth in as yet unexplored markets by offering new products.

With the advent of the World Wide Web and its worldwide adoption, the number of accompanying technologies (eg smartphones, Web 2.0, SEO, cloud computing, speech recognition, online payment systems and cryptocurrencies) increase the development of e-commerce. The impact of the growing data generated to each company by the development of digital technologies is expected to have far-reaching implications for business.

Although perhaps not all of these technologies are as strategically strong as expected, the growing penetration of new digital technologies clearly signals the need for companies to transform their businesses through digitalization. In addition, these new digital technologies can also affect the company's costs by replacing some activities with others – optimizing logistics costs, reducing staff and much more<sup>13</sup>.

In order for companies to be competitive and to be able to achieve a competitive advantage, with the help of the digital transformation and their newly created business models, they should reach

<sup>9</sup> Стрийминг произлиза от английската дума „stream“ (поток), като терминът се използва за „потокът“ от данни, който „тече“ от сървър до потребителско производство.

<sup>10</sup> Netflix. <https://www.netflix.com/bg/>

<sup>11</sup> Kafka, P. You can watch Netflix on any screen you want, but you're probably watching it on a TV. <https://www.vox.com/2018/3/7/17094610/netflix-70-percent-tv-viewing-statistics>

<sup>12</sup> Cui, A. Wu, F. Utilizing customer knowledge in innovation: antecedents and impact of customer involvement on new product performance. <https://link.springer.com>

<sup>13</sup> Hsinchun, C, Roger, C., Veda S. Business Intelligence and Analytics: From Big Data to Big Impact. <https://www.jstor.org/stable/41703503?seq=1>



more and more customers and communicate interactively with them; to automate their production, distribution and development; to digitize data collection, information gathering and staff competence development, which will help them to modify their business.

If companies are unable to meet new customer expectations, they become less attractive to them and are likely to be replaced by companies that are digitally insured. With the help of digitalization there will be a change in the information technologies used by the company, new online or mobile communication channels will be created, which in turn will allow all customers to easily connect with companies that have changed the traditional interactions between manufacturers and consumers.

Information technology in digitalization is a key factor in using new business opportunities by changing existing business processes, such as communication, dissemination or business relationship management. Through digitalization, companies apply digital technologies to optimize existing business processes, which allow more effective coordination between activities and create additional value for customers by improving their service. Therefore, digitalization is not only focused on cost savings, but also includes process improvements that can improve customer benefits.

Companies are constantly competing and can achieve a competitive advantage precisely through their new business models, including the creation and addition of value to customers and the conversion of this value from payments received into profits.

The digital transformation introduces a new business model by implementing different business logic to create and increase value. Changes in decision-making mechanisms, driven by new trends in customer demand and growing competition, can be the main force of effective digitalization of the company.

In situations where a technology has a dominant role, digitization usually occurs from the bottom up and is focused on specific company requirements, predetermined by changes in process and operations management, leading to changes in organizational structures, skills and culture, later concerning decision-making mechanisms. When the influence of the market is more significant, the whole process of digitalization begins with changes

in corporate decision-making, which are subsequently introduced at other stages of production and operation<sup>14</sup>.

The benefits for the company from the digital transformation are indisputable – providing information about the entire product range of the company by using all means of communication; improving customer satisfaction by analyzing their needs and reactions to the offer of different products /services; conducting various marketing campaigns and analyzing a lot of collected data; cost reduction; structuring and analyzing large volumes of data related to sales, suppliers, customers, financial costs, consumer behavior when visiting the company's online store, call centers, evaluating the work of employees, social networks and much more<sup>15</sup>.

## Conclusion

To realize the full potential of digital transformation, the technologies used in companies should provide an opportunity to measure and analyze performance improvements and key performance indicators. Measuring clicks on websites, watching videos and mobile downloads, after the introduction of online and mobile channels, common performance indicators such as return on investment, profitability and revenue growth are important indicators for any company.

Although the ultimate goal of the new business models generated by digital transformation is to increase revenue, higher profits and improve the company's competitiveness, it is essential to monitor the intermediate results related to the process to assess the extent to which the new digital business model creates value<sup>16</sup>.

Achieving high growth for the company is just as important for digitally transforming companies, but not at the cost of profitability. Therefore, companies that want to transform digitally must simultaneously achieve two main goals:

<sup>14</sup> Kannan, P. & Li, H. Digital marketing: A framework, review and research agenda. <https://www.sciencedirect.com/science/article/abs/pii/S0167811616301550>

<sup>15</sup> Lund, J. How customer experience drives digital transformation. <https://www.superoffice.com/blog/digital-transformation/>

<sup>16</sup> Digital transformation: learn what it is & why it is important. <https://www.mercer.com/our-thinking/what-is-digital-transformation.html>



- cost reduction;
- growing income through improved customer service<sup>17</sup>.

Given the possible incompatibility of the two goals, some analysts suggest that digitally transforming companies need to develop digital initiatives in start-ups that would operate similarly to the ones originally set up in order to best analyze the effects of transformation and if it is successful - to implement it in the main company.

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14. Netflix. <https://www.netflix.com/bg/>
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16. What is digital transformation? <https://enterprisersproject.com/what-is-digital-transformation>

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