

Chapter 8

Exploring the Enablers of Digital Transformation in Small and Medium-Sized Enterprises

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ABSTRACT

Recently, digital transformation has attracted much attention of both academics and practitioners. With the advent of digital technologies, small-and-medium-sized enterprises (SMEs) have the capacity to initiate digital transformation initiatives in a similar fashion as the large-sized organizations. The innate characteristics of digital technologies too favor SMEs in initiating digital transformation initiatives. However, the existing the findings on digital transformation in SMEs are limited and remain fragmented. Considering the important financial contribution SMEs can offer to nations and economies, it is timely and relevant to conduct a profound analysis on digital transformation in SMEs. By conducting a comprehensive review of related literature in information systems, management, and business disciplines, this book chapter aims to understand enablers of the digital transformation process in SMEs. The findings introduce internal and external enablers that lead to the success of digital transformation process in SMEs.

INTRODUCTION

In recent times, digital technologies (i.e., social media, mobile technologies, analytics, cloud computing, and internet-of-things), also known as SMAC-IoT have provided myriad prospects for all businesses despite their size (Kraus et al., 2021; Lokuge et al., 2019). For example, in the past, only large-sized organizations with financial capacity had access to resources, the ability to invest in technologies and

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lead innovation in their respective organizations (Lokuge & Sedera, 2020). As such, technology-led innovation was limited to larger, resourceful organizations (Lokuge & Sedera, 2016; Tan et al., 2017). However, in recent times, digital technologies have disrupted the norms and have given rise to concepts such as digital transformation which has become a buzzword in the business landscape (Vial, 2019).

Digital transformation refers to “the use of digital technologies to create value-added products and processes in organizations and integrate them into business processes, organizational structures, and working models” (Warner & Wäger (2019). As per Vial (2019, p. 118) digital transformation is “a process that aims to improve an entity by triggering significant changes to its properties through combinations of information, computing, communication, and connectivity technologies.” Wessel, Baiyere, Ologeanu-Taddei, Cha, and Jensen (2020), extends this conversation and highlights that digital technology plays a key role in digital transformation, whereby they initiate a new organizational identity to develop. Digital transformation enables improved decision-making, value augmentation and improved customer services. The whole objective of investing in digital technologies in organizations is to develop new organizational capabilities for attaining a competitive edge over the market competition (Adikari et al., 2021; Lokuge et al., 2019; Vial, 2019). With the ever-changing customer requirements, advancement of modern technologies and the new normal introduced through COVID-19 pandemic, all organizations, especially small and medium-sized enterprises (SMEs) are interested in digital transformation initiatives considering its benefits.

SMEs are considered as the backbone of the global economy (Deng et al., 2019; Li et al., 2018). For example, in Australia alone 90% of the organizations that contribute to the national income are SMEs (Duan et al., 2012). As such, to increase organizational efficiency, it is important for the SMEs to increase the application of digital technologies and initiate digital transformation (Deng et al., 2019). Therefore, an investigation into the digital transformation in SMEs will assist in uncovering enormous benefits offered through the introduction of digital technologies. As a result of such digital transformations, SMEs will in turn be able to contribute to the economic growth of the community, society, and country.

In defining SMEs, various definitions have been adopted in various countries (Beck et al., 2005; Duan et al., 2012). In general, SMEs are defined as enterprises with less than 250 employees (Beck et al., 2005). SMEs are considered as a distinguished group from large-sized organizations as they possess innate characteristics such as technical incapacities, limited resources and infrastructure, over influence of the SME owner, lack of control, inadequate capital, high dependence on business partners, informal planning, lack of formal culture, and uncertainty (Deng et al., 2019; King et al., 2014; Nagahawatta et al., 2021). However, on a positive side, SMEs are considered as more agile, flexible, and responsive to market needs (Ghobadian & Galleary, 1997; Li et al., 2018; Sedera & Lokuge, 2017). As such, organizational theories, and day-to-day practices that are relevant for a large-sized organization might not be suitable for a SME (Ghobadian & Galleary, 1997; North et al., 2019; Salim et al., 2015; Szopa & Cyplik, 2020).

Prior research has attempted to unfold the complex process of digital transformation by investigating the strategy of an organization (Bharadwaj et al., 2013; Sedera et al., 2022), its influence on organizational structure (Selander & Jarvenpaa, 2016), business processes (Vial, 2019), and the organizational culture (Karimi & Walter, 2015). Such studies, however, have mostly focused on understanding the digital transformation in large-sized organizations or have taken an “one-size-fits-all” approach regardless of unique features of SMEs. Considering the importance of digital transformation and the unique characteristics of SMEs, it is considered highly timely and relevant to unravel the black box of digital transformation projects among SMEs (Argüelles et al., 2021; Crupi et al., 2020; Gupta & Bose, In Press; Kraus et al., 2021; Lokuge & Duan, 2021; Wessel et al., 2020). In recent times, researchers have seen the value of

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