


Chapter 1

A Discourse of the Underlying Concepts of Digital Transformation for MSMEs

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ABSTRACT

Digital transformation is a field of study that has been extensively studied in academic literature. Major topics that have been explored include its definitions, concepts, strategies, enablers, managerial and organisational capabilities, orientations, and digital literacy. Because digital transformation entails the transformation across all levels of an organisation, new business models and practices must be conjured. This chapter is composed with the aim of assessing and discoursing the relevance of digital transformation for the application of MSMEs. The scope of digital transformation encompasses various aspects and concepts for organisations that are useful to support MSMEs survive in developed and emerging economies. This chapter would also state the conditions necessary for digital transformation to occur, such as a degree of digital literacy is needed for proper understanding of digitised activities by both managers and employees, and efforts must be made to ensure equal access to technology as the phenomenon of digital divide is a hindrance towards digital transformation.

INTRODUCTION

Possessing the willingness and capability to embrace and adopt digital technology in order to revolutionise business processes or modify existing ones is widely known as digital transformation (Lankshear & Knobel, 2008). Digital technology, with acceptance or otherwise, has reshaped global daily lives in past decades, and millions of people work, shop, book holidays, play games, and listen to music via online means. At present day, communications are made via mobile rather than traditional landline phones, and close to half of the world's population utilizes social media. Digital technology is an essential aspect for most organisations, and must be managed effectively in order to fully reap its benefits. For

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instance, in some organisations, digital technology forms the basis of the foundation of their Information Technology (IT), while others link it to their marketing section via the management of social media channels. Managers working in the field of digital technology need to understand the potential of digital technology for it to be successfully utilised across all departments of an organisation. This may include understanding the use of social media to market goods and allure customers, as well as collecting data and analyzing information to find ways of increasing profitability. A manager involved in formulating an organisation's digital strategy, and who recognizes its role in the overall business plan, is in the best position to initiate new technologies and explain the importance of digital technology to employees. Managers must embrace the opportunities digital technology presents for their market scope to reach to an ever-increasing global audience via digital means.

For some organisations, they are still under the obligation to do yearly repayments on their loans, mortgages and debentures to trade payables and suppliers. In addition, they have had to cover their operating expenses which include salaries and wages, water and electricity, heating and lighting, while having to make do with limited sales. COVID-19 has brought a dramatic fall in economic activities (Cavallo, & Forman, 2020); products and services are not consumed, supply lines are prevented from reaching, customers are unwilling to spend their money, banks are unwilling to lend especially to smaller organisations due lack of collaterals. COVID-19 has brought about the largest collapse in the number of outputs, since the Great Depression in 1930 (Fairlie, Couch, & Xu, 2020).

Above all, Micro, Small and Medium-sized Enterprises (MSMEs) are affected due their inexperience, lack of brand recognition and relatively small size which limits their assets and resources. The outbreak of the pandemic of COVID-19 only serves to increase the hostility of business environments, and decreasing survival chances of start-ups and MSMEs around the globe that is devastated by COVID-19. In other words, the failure rate of MSMEs are even higher than they already are.

The sudden outbreak of COVID-19 and its spread at an alarming rate have ravaged the world (Chen, Wang, Huang, Kinney & Anastas, 2020), infecting millions and has had profound negative social and economic consequences due to countries imposing tight restrictions on movement of people and goods in order to halt the spread of the virus. The pandemic has affected educational systems around the world, leading to closures of universities and schools and low-income earners are the first ones to be infected due to them living in congested housings. COVID-19 has also affected people at psychological level (Groarke, Berry, Graham-Wisener, McKenna-Plumley, McGlinchey, & Armour, 2020), as there have a rapid increase in number of suicides (Sher, 2020) due to fear and unemployment, and domestic violence skyrockets due to financial insecurity and stress. Preventive measures (Wong, Hung, Alias, & Lee, 2020) such as social distancing, wearing of face masks, mandatory hand washing, self-isolation and self-quarantine for those who have travelled far and wide are implemented to slow down the spread of the virus, to the point where the world has been forced to embrace that Social Distancing has become the societal norm. However, one way of allowing organisations to operate their daily business while also adhering to the regulations of COVID-19 preventive measures is by transforming the entire process including end-products into digital forms, in a process known as digital transformation (Korachi, & Bounabat, 2020). In a world that is slowly becoming digitised, people have taken to call it the digital economy or network economy.

The amount, volume, and complexity of data being created is increasing at a rapid rate. According to Google, humanity have created an estimated five exabytes of data from the start of civilisation until 2003 (Morvan, 2016). Every day, 2.5 exabytes of data are created, and the International Data Corporation (IDC) predicts that this number will double every two years until 2020 Chandralekha & Shenbagavadivu,

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