

Research on the Digital Transformation Strategy of Traditional Enterprises

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Abstract

With the rapid development and popularization of digital technologies, the digital economy is constantly changing, and traditional enterprises are actively exploring the path of digital transformation. Through theoretical analysis, starting from the two key dimensions, i.e., digital technologies application and talent cultivation, this paper theoretically identifies four traditional enterprises' digital transformation strategies, namely organizational business transformation strategy, operational efficiency improvement strategy, business model innovation strategy, and digital ecology construction strategy. The study provides certain decision-making references for practitioners to carry out the practice of enterprise's digital transformation.

Keywords

Digital Transformation; Transformation Strategy; Organizational Change.

1. Introduction

In the Internet era, people have created new ways of working and living, and more and more consumers are active in the digital world. Data shows that in 2019, the scale of China's digital economy reached 35.8 trillion yuan, accounting for 36.2% of GDP, up by 1.4 % year-on-year[1]. In 2020, the National Development and Reform Commission issued an initiative to accelerate the construction of a digital ecological community to support high-quality economic development. There is no doubt that the digital economy has become the backbone of economic development in the new era. With insight into the considerable commercial value contained in digitalization, enterprises have started their digital transformation deployment in response to the call of the state and the development of the times. They want to seize the market opportunities to reshape and strengthen the core competitiveness of enterprises.

Digital transformation can not only upgrade existing products and develop smart new products for enterprise innovation through digital technologies [2], but also transform enterprise operation processes, drive profit growth[3], which promotes the growth of the entire enterprise[4]. Most enterprises have recognized the importance of digital transformation and regard it as one of the important decisions of the enterprise's future development strategy. Therefore, the practice of digital transformation emerges one after another, but there are also many cases of transformation failure[5]. It is an important task for traditional Chinese enterprises to find a suitable digital transformation strategy and development path. They need to cultivate new growth points of enterprise value through building a digital enterprise. How companies can successfully achieve digital transformation has become a common interest in academia and industry.

Based on this background, this paper theoretically analyzes the types of enterprise digital transformation strategies and the basic characteristics of each transformation strategy. This paper hopes to further deepen the theoretical research of digital transformation and provide some guidance for the practice of enterprise digital transformation.

2. Literature Review

On the one hand, the digital transformation of enterprises has attracted extensive attention from the academic community. The relevant studies are mainly carried out from the definition, path, and influencing factors of digital transformation. For the discussion of the definition of "digital transformation", whether it is defined as a business model supported by the new digital technology[6], or it is considered to be the use of advanced technology to change organizational work methods, staffing, operation models, etc[7], which is from a technological point of view. When Chen Chouyong and Xu Jinghan built the evaluation index system of enterprise digital transformation capability, technology was considered as one of the important factors[8]. Accelerating the integration of digital technology and enterprise production and manufacturing can better promote the digital transformation of enterprises[9]. In the research on the influencing factors of the digital transformation of traditional enterprises, the technological innovation capability of enterprises is considered to be the key driving force for the decision-making of digital transformation of enterprises[10]. Technological revolution brings about economic revolution[11]. In the digital transformation, data is used as a new production factor, and digital technology is used as the main means. Enterprises strategically carry out the process of organizational change, of which technology is the core.

From another perspective, in the context of digitalization, the technological revolution has caused turbulence in the external environment of enterprises. Each enterprise needs to formulate strategies promptly and make response behaviors. They actively adjust, improve and innovate various production factors in the organization to adapt to the new economic situation to maintain the competitiveness of enterprises and seek further development, which perfectly fits the connotation of organizational change. Digital technology has become the dominant method of technology, and technological innovation has led to changes in product processes, organizational structures, and operational processes. At the same time, with the rise of digital technology, enterprise organizations have new characteristics and performance, and organizational management has encountered new problems, forcing enterprises to make changes and seek targeted solutions[12]. Therefore, this paper defines digital transformation as an enterprise upgrading process in which enterprises apply digital technology to reconstruct their business and then cause organizational change.

On the other hand, in the digital age, it is the general trend that enterprises use a new generation of digital technologies to invest in the wave of digital transformation to carry out organizational changes. But in fact, not all enterprises' digital transformation can enhance their market competitiveness and achieve ideal strategic results. Digital transformation can be said to be a complex and uncertain decision-making process. Every stage of the task related to it, such as the selection of digital cutting-edge technologies suitable for enterprises, the construction of enterprise digital culture, and the integrated development after digital transformation, all require a large number of participation from people at all levels of the enterprise. The leadership and knowledge resources of managers and the experience and skills of grassroots personnel are used to promote the smooth progress of the digital transformation of enterprises. The development of any enterprise is inseparable from people. To promote the digital transformation of enterprises, the management of the enterprise usually needs to realize the importance of transformation, clarify the transformation goals, evaluate the existing conditions, and predict the future gap. Digital talents with digital leadership play an important role in the success of enterprise digital transformation. Whether it is the application of digital technology or the resulting organizational changes, digital technology is a tool for strategic decision-makers to promote business transformation. Organization personnel determines the logic and path of how to use new technologies and methods to upgrade business. Talent development is an important factor for a smooth transition.

3. Four Strategies for Enterprise Digital Transformation

There are many research perspectives on enterprise digital transformation, and the factors affecting the transformation results are complex and intertwined, which is not conducive to strategic decision makers' understanding and selection of digital transformation strategies. Based on the analysis of relevant literature, digital technology is the means to achieve the strategic goals of digital transformation, and digital talents are the key factor for the success or failure of the transformation. Digital technology provides new opportunities for organizational personnel to carry out innovative activities, and organizational personnel decides how to use new technologies to upgrade the organization. Both are indispensable.

Therefore, this paper identifies two important factors in the process of digital transformation—the application degree of digital technology and the cultivation of digital talents and proposes a strategic analysis framework for the digital transformation of enterprises, see Figure 1. The four strategies of enterprise digital transformation are determined, which are organization business transformation strategy, operation efficiency improvement strategy, business model innovation strategy, and digital ecology construction strategy.

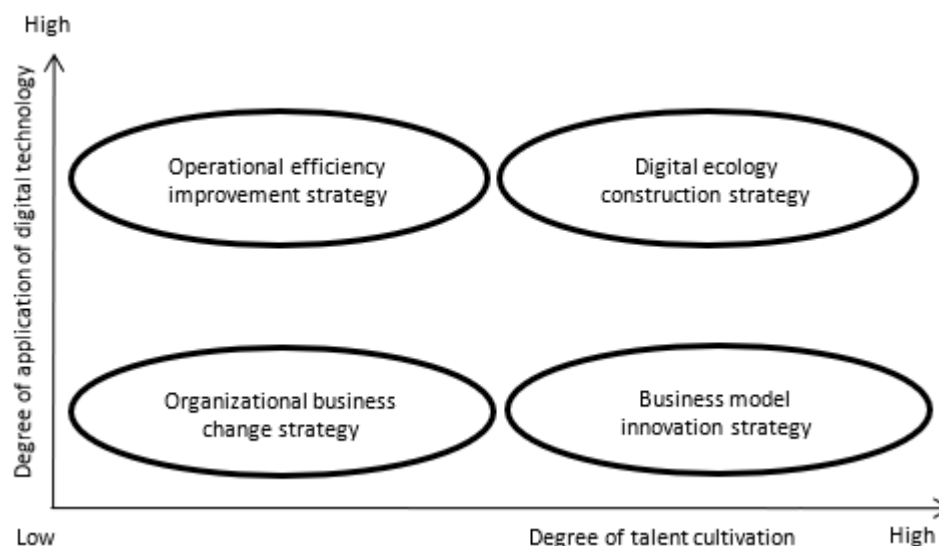


Figure 1. Analysis Framework of Enterprise Digital Transformation Strategy

3.1. Organizational Business Change Strategy

Constrained by limited corporate resources, companies do not have sufficient human and financial resources to substantially carry out digital transformation. Therefore, enterprises can achieve business and profit growth by empowering traditional businesses with lower-cost and more basic digital technologies. Obviously, such as developing corporate APPs and promoting products and services through the applets of WeChat, you can use the way of interacting with users through social media, use digital new technologies to complete user portraits, tap new customer segments, and develop new sales channels. Digital transformation provides consumers with new product and service experiences and opens up paths for businesses to create new value. Government organizations and businesses across industries are investing in digital technologies to gain access to new knowledge and new technological capabilities to accelerate next-generation business solutions.

3.2. Operational Efficiency Improvement Strategy

Enterprises have digital technology application talents who are familiar with the characteristics of various digital technologies. Based on selecting digital technologies suitable for enterprise development, they can use digital technologies to optimize product technology and production

process concretely, they regard digital transformation as a way to reduce cost and optimize processes. On the other hand, the digitalization of management can be realized. For example, in traditional customer service management, an independent service platform is established to complete the one-stop service i.e., online submission of problems, automatic system retrieval and dispatching of orders, order processing and solution by customer service, and evaluation of customer satisfaction are completed. Service efficiency can be improved. Therefore, enterprises pay more attention to the research and development and expansion of digital technology, and the degree of the application of digital technology is relatively high. When hiring and training employees, they pay more attention to their research and development and application capabilities. The goal of this strategy is to make full use of and develop digital technology to improve enterprise efficiency and realize the digital and intelligent operation of enterprises.

3.3. Business Model Innovation Strategy

When an enterprise has high-end digital technological talents, their cognition determines that the enterprise will carry out innovative changes. When the investment in digital technology is insufficient, and their resources and capabilities cannot support the effective digital transformation of enterprises, organizational leaders seize the opportunity to quickly adjust and innovate business models based on corporate strategies and market changes. Digital technologies have significantly accelerated the innovation of business models, providing new opportunities for organizing business activities. Using digital technology to create and deliver value to customers is only the basic work of transformation and upgrading. To further promote the upgrading, companies must be able to capture a feasible part of the value created. At this time, enterprise personnel need to be able to identify how the organization uses new technologies to create, deliver and capture value, integrate it into the existing enterprise business model, and develop a new business model.

3.4. Digital Ecology Construction Strategy

High-end talents with digital technology and thinking inject vitality into enterprise transformation. After a relatively successful business model is established, senior digital leaders will continue to optimize the digital strategy of the enterprise according to changes in the internal and external environment such as investing in digital infrastructure, digital security construction, etc., to continuously strengthen the digital transformation capability of the enterprise, and stabilize the digital transformation effect of the enterprise. On this basis, enterprises build a new external digital environment to greatly improve the efficiency of upstream and downstream. They take themselves as the core, and urge relevant subjects in the digitalization process, such as the government, enterprises, individuals, etc., to digitize transactions, interactions, and other activities to form an economic ecosystem characterized by circular data flow and "everything speaks with data".

4. Conclusion

From an academic point of view, this paper proposes four basic strategies of enterprise digital transformation based on identifying the common situation of technology application and talent cultivating involved in the process of enterprise digital transformation, which enriches the theoretical research related to enterprise digital transformation mode. The corresponding typical cases can be added in the follow-up, and further in-depth analysis can be carried out to specify the main motivation, characteristic style, and transformation trajectory of each transformation strategy.

From a management perspective, enterprises in different industries have significant differences in product processes, target consumer groups, and technological level requirements,

and will also face different risks and challenges in the process of transformation. Therefore, each enterprise should carefully evaluate the situation of the enterprise according to the actual situation, and choose the transformation and development model suitable for itself, to better increase the enterprise resources, cultivate the new capabilities of the enterprise, and gradually realize the successful digital transformation of the enterprise.

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