

Chapter 19

Digital Transformation Strategies for Small Business Management

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ABSTRACT

The objective of the chapter is to assess the role of digital transformation in small business management and specifically to evaluate the strategies suitable for small businesses, identify the underpinning theories, and highlight related empirical studies. Thus, several kinds of literature in the domains of information systems, strategic management, and small business management were extensively reviewed. It was discovered that small businesses are struggling with digital transformation. However, those that have adopted the system are benefitting immensely. It is therefore recommended that more attention be paid to those strategies that work well for small businesses; that tailor-made theories for small business digital technology adoption be developed; and more studies, specifically longitudinal studies, are required to appreciate the complexity of the problem and where interventions are required.

INTRODUCTION

Adopting digital transformation is unavoidable at this age and time if an organization must respond to the challenges of globalization and urbanization of economic activities. Organizations must modernize by integrating their activities with a new digital environment, which allows them to develop solutions to complex problems through digital transformation. However, there has to be an appropriate theory, aided by a suitable model, and buoyed by a winning strategy. This has largely been effective with large organizations, but not with smaller ones. Small businesses tend to have insufficient digital capabilities, resources, and funding, and thus cannot digitally transform easily.

Digital transformation is the integration of digital technologies into all areas of business processes (Boneva, 2018; Liu et al., 2011), fundamentally changing how they operate and deliver value to customers. As a process, it aims to improve an entity by triggering significant changes to its properties through

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combinations of information, computing, communication, and connectivity technologies (Vial, 2019). There is therefore a compelling need for businesses, specifically, small businesses, to evolve strategies to cope with the changes and compete favorably.

Small businesses tend to adopt information and communication technologies relatively slowly and ineffectively for several reasons and some scholars have appreciated the situation and are proposing an impressive range of theories, such as the technology acceptance model (TAM), the technology, organization, and environment (TOE) model, and the united theory of acceptance and use of technology (UTAUT) to better explain the interplay. Other scholars are developing theories and models that are tailor-made for small businesses. Furthermore, several scholarly studies have been published with research results that have buttressed the point, highlighted potentially effective strategies, and provided the nature and strength of the relationship between digital transformation and small business management.

It is for these reasons that this chapter is conceived to contribute to the growing discussion in strategic management and information systems literature on the subject under review. Therefore, the main objective is to assess the role of digital transformation on the management of small businesses and specifically to evaluate the strategies suitable for small businesses under the circumstances, identify the underpinning theories, and highlight related empirical studies germane to the phenomenon under review.

BACKGROUND

The specific definition of a small business varies by country, and industry, but incorporates annual receipts and the number of employees. During economic downturns, small businesses are excessively affected when resources are limited (Liu & Parilla, 2020), but often have the advantage of personalization to and proximity with customers. Despite the advantage inherent in small businesses, when it comes to adjusting to environmental forces like technology, they struggle to adjust because of their unique characteristics of small scale.

The gradual imposition of digital technology on small business management requires a paradigm shift from the old and reliable analog system to the new, unknown and untested digital system. The availability of these digital technologies and their inherent advantage has endeared many organizations to transform their processes, products, and/or structures. Since the aim of digital transformation is to address challenges regarding efficiency and effectiveness, it is still early days to know if organizations that do not quickly develop and implement digital transformation strategies would be able to compete in the new digital reality (Hess et al., 2016). Digital transformation provides an opportunity for businesses to leverage digital technology so that they can deliver a cutting-edge user experience to their customers and other stakeholders, and it has created opportunities for all businesses to compete equitably. However, small businesses have yet to enjoy the full benefits because of their set of unique characteristics.

Small businesses are critical to the survival of many economies worldwide. They represent more than 90% of all businesses, about 60-70% of employees, and 55% of GDP worldwide (Arnold, 2019). However, the challenges of this sector are intimidating. The poor rate of adoption of digital technologies is emerging as a foremost challenge. Globally, nearly 3 billion people remained offline, the vast majority concentrated in developing countries. Close to half of the world's population are not using mobile internet, despite living in areas with mobile broadband coverage, while a billion people in the world cannot verify their identity which limits their access to digital resources, and the usage gap remains a challenge (World Bank, 2022). The World Bank's digitalization strategy has previously focused on

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