

## Chapter 3

# Business Transformations: Inevitable Changes of the Era

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### ABSTRACT

*Recent years have been observing the drastic changes in trends toward business environment. Novel parameters affecting businesses make them remain with two choices: adapt or perish. The fact that a once-thriving company like Nokia could not last in the market would provide a factual example of how the new business environment may be challenging. Business transformation is a term with ranges of definitions: an ultimate change in organizational process, which was caused by or resulted in a basic major alteration in structure, processes, and behaviors. It relates to new ideas, strategies, and management processes. Strategies not only affect the inner side of the company but also have peripheral consequences on the total supply chain. The chapter is an exertion to introduce some of the foremost factors on which businesses are being influenced, such as the Internet, e-business, globalization, etc. In addition, the relationships between supply chain management and business transformation and the reciprocal impacts are studied.*

### INTRODUCTION

As new practices of competition rise, the traditional models of operation and business management cannot be adopted in this fresh economic environment (Zeng, Chen, & Huang, 2008). The concept of organizational transformation is considered as a significant issue both in theory and practice. Changes are made to reach a final state from the initial one. Industrial Revolution would be called

the initial state with mass production, bureaucratic structures, and Taylorism and Fordism attitudes. On the other hand, today's society would be a final state that approaches such as Information Society and Knowledge are governed (Oliveira, 2012, p. 68). The former society must be equipped with world-wide information technology (IT) infrastructures, reliable mobile hardware such as smartphones or tablets, intelligent applications, and knowledge workers.

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Moreton believes that in order to respond to today's altering and indeterminate business environment, transformation would be an effective approach. The changes that occur in large, multi-dimensional and inclusive form cause the organization's behavior to reform ultimately (Moreton, 1995). Change is dependent upon time and involves two factors: identity and transformation process. Identity is about what something is and what it becomes (Ford & Ford, 1994). It is clear that information technology contributes to the transformation process and it has reshaped the platform of many enterprises into electronic business (e-business). Industries are transforming by developments, innovations and solutions presented by information technology leading to greater efficiency (Samii & Karush, 2004).

The instance of such great changes is the introduction and evolution of the Internet. It makes companies be forced into entering the worldwide competition through the growing of information technology. Organizations need to improve their performance at lower costs than before. It occurs through applying new technologies introduced by IT. Information technology based solutions have surprised enterprises by the way they create value for the organization (Singh & Singh, 2011). Therefore, organizational changes should be implemented to take full advantage of the e-business opportunities; otherwise, enterprises will be ousted from business environment (Zeng, Chen, & Huang, 2008). The change in today's business environment is the fact that several incongruous issues affect the business. This results in inflexibility and inaccuracy of decisions made by authorities. It is therefore necessary to capture the uncertainty which is related to the spatial information (Mukherjee, Mukherjee, & Kanti Ghosh, 2011).

Muzyka et al., define the term business transformation as "a fundamental change in organizational logic which resulted in or was caused by a fundamental shift in behaviors" (Muzyka, de Konig, & Churchill, 1995). Business transformation

is about making fundamental changes in different areas of one organization, such as organizational culture in terms of structure, processes and most importantly, people's attitudes, beliefs and behaviors (Philip & Mckeown, 2004; Herold & Fedor, 2008). It is a constant challenge in the business world today and plays a significant role for organizational leadership (Herold & Fedor, 2008; Karp & Helgo, 2008). Ian McKeown and George Philip (2003) propose business transformation as a means to achieve major improvements in organizations' performances. They state that the strategies that help contribute to business transformation contain business process re-engineering, organizational development/learning, total quality management and applying information technology. These strategies must be aligned with organizations' top management strategies.

In order to operationally involve in transformation, businesses should consider both dimensions of the internal structures of the organization and dimensions of the context of the organization (Gareis, 2010) to transform operations, adopt new business processes and shape the culture to deliver the same disciplined approach to understanding stakeholder and customer needs (Cowan-Sahadath, 2010). This transformation, aligned with the overall corporate strategy, requires an organizational model and organizational leadership that is dynamic and responsive (Cowan-Sahadath, 2010) and leads to a new organizational identity (Gareis, 2010). This would not be a successful transformation unless breaking the cultural mold of the organization which has been frozen over time (Philip & Mckeown, 2004). However, organizations need a flexible design of a change management framework to be able to lead the organization-wide transformations (Herold & Fedor, 2008; Karp & Helgo, 2008). This would lead to an effective transformation that shapes the culture of an organization and hence its success in performance (Appelbaum, Berke, Taylor, & Vazquez, 2008; Griffith-Cooper & King, 2007).

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