



Chapter 15

Digital Transformations and the Importance of Business Models for Organizations: Digital Business Models – The Key for Success in Today’s Business World


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ABSTRACT

Digital transformation has become a key element for every organization, but in order to succeed, organizations must understand that this will also have an impact on their business model. In the end, what drives success for an organization is their business model, and currently, organizations must be able to innovate and digitalize their business models. This chapter is going to define the main digital business models and how organizations could apply and combine these archetypes and models in order to create hybrid business models or create their own innovative digital business model. The authors are going clarify why digital business models have emerged as a quintessence of innovations in digital technologies. Once an organization understands the connection that it can create using the power of digital technologies, it will be able to survive and thrive in the digital economy.

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INTRODUCTION

Digital transformation is one of the most complex processes which organizations undergo in order to create more value for customers with their products and services and thus gain and retain new customers. Another important aspect of digital transformation is that once started it becomes an ongoing process as organizations must learn and adapt to survive upcoming changes. This requirement for profound and complete organizational change comes from new emerging digital technologies, consumerism mentality that changes from one generation to the other, and trend influence competitive need to gain and maintain competitive advantages (Porter, 2008). The emergence of digital start-ups is another key factor given the fact that they are more flexible than old organizations and can disrupt the market using technologies and digital business models. Considering these facts, many organizations are pressured in adopting new digital technologies to successfully digitally transform into a digital organization and acquire new customers while retaining the existing ones.

Digitization refers to the ability of organizations to transform from an existing analogue infrastructure to a digital infrastructure (Saarikko et al., 2020, apud Tilson, Lyytinen, & Sørensen, 2010). It means that organizations are creating smart products and productions line that can communicate data in real time.

Digitalization refers to the ability of using digital technologies to create value for products and services. It will lead also to change the business model of the organization. And according to Urbach and Röglinger (2019), the client is at the core of digitalization and, consequently businesses must learn to change and adapt their business model according to their customers' needs. While Brown (2020) affirms that for implementing a digitalization an organization must have a clear goal and must ensure that their employees are committed to the new changes that occur inside the organization.

Digital transformation has a broader set of definitions because the term has a high spectrum of coverage and embeds both digitization and digitalization. According to Calp (2020), the digital transformation of an organization is defined as the way they managed to provide better products and services to their customers. Okano et al. (2020) adds that digital transformations is the way in which organizations are able to use technologies in order to create impact and new experiences for its customers. Saarikko et al. (2020) affirms that digital transformation is a sociocultural process and organizations must push their innovation outside their organization border and use all necessary assets and competencies to remain visible on the market. Digital transformation represents the use of digital "...technologies to drive significant improvement on all business segments" (Maheshwari, 2019, pp 17). Herbert (2017) defines digital transformation as the organization "ability to react and successfully utilize new digital technologies and procedures".

The authors propose a new, comprehensive definition of digital transformation based on the definitions of transformation as "a complete change in the appearance or character of something or someone, especially so that thing or person is improved" (Cambridge Business English, 2021), and as "both the action and the effect of transformation", respectively "changing something or someone's form, transmuting something into something else". The authors consider that the digital transformation of an organization consists in transmuting it from a form non-digital, to a digital form, in part or in full. The total digital form of the organization as a result of the digital transformation is an ideal, in our opinion, because it is a moving target, and it is in a permanent state of change. Consequently, the authors define digital transformation of an organization as a strategic process of profound change in scope, both integrally and systematically affecting each component of the organization and the relations between them, executed

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