



DIGITAL BUSINESS STRATEGY: A VALUE CREATION TOOL

***HEMAVATHY RAMASUBBIAN**, Assistant Professor, Department of Commerce,
Hindusthan College of Arts & Science, Coimbatore, INDIA

****P. NITHYA DEVI**, Assistant Professor, Department of Commerce,
Hindusthan College of Arts & Science, Coimbatore, INDIA

Abstract

Digitalization in the business world aids to drive more customized and personalized dealings with all stakeholders. This study aims to predict the variables which influence the business concern for digital transformation. Proposed research model in this study helps to analyze the process of digital transformation. It is revealed that the transformation was dictated by the personal, environmental, and firm characteristics of the enterprises. The study therefore urgently recommends formalization of elements of reactive strategic management and the personal factors in medium firm curricula.

Keywords: Digitalization, Strategy formulation, Environmental factors, Valuation creation

Introduction

Digital business strategy refers to the use of technology in order to improve the productivity and its operation efficiency. In the business concern top executives use the technology for facilitating data-driven decision making and forward planning by the way of analyzing data. And also it helps to improve the traditional technology like ERP through smart embedded device and communication via social media. Successful implementation of digital strategy will be happen in the top executive level, but it should be supported by all the stakeholder of the business.

Objectives

- To study about the digital awareness and strategy formulation in the corporate companies.
- To analyze the factors influence the company for digital transformation.

Review of Literature



Kane, A G. C. (2015) state that strategy is not the technology, its Drives Digital Transformation, highlights the digital maturity. Digitalized organizations are four times more likely to provide employees with needed skills than are organizations at lower ends of the spectrum, digitally maturing organizations are more comfortable taking risks than their less digitally mature peers.

Ashley Harshak, et. al. (2013), “a more successful approach is to fully develop digital capabilities throughout retail operations. This can happen only if there is a company culture that embraces digital media and multichannel capabilities. It takes time to develop a digital corporate culture; the sooner a company acts, the more quickly it will be in a position to compete in this fast-paced, digitized, multichannel world”.

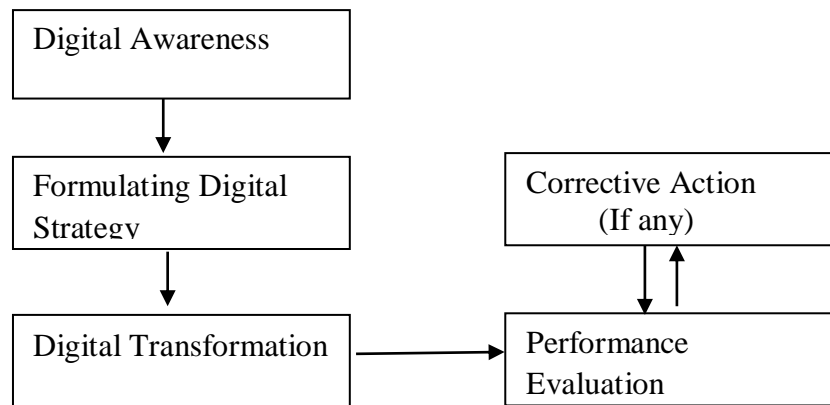
Dave Chaffey (2009) brings together the latest academic thinking and professional practice. “Covering all aspects of e-business including strategy, digital marketing and supply chain management which gives the benefit such as structured approach to planning, implementing, assessing and improving e-business strategy for all types of organization. The latest trend in e-business is security and cutting edge e-marketing techniques such as social media and search engine optimization”.

Ghani et al. (2010) carried out a descriptive research study to identify critical internal and external factors towards firm strategic planning. Researcher found out that “proactive involvement of government and its support did have an impact on firms' external critical factors thereby creating stable conditions for structured planning. However, the study did not address whether this proactive environment facilitates strategic management”.

Methodology

This study was carried out in Coimbatore District, Tamil Nadu, which is located in the southern part of India. There are more than 4000 factories in Coimbatore district; out of this 110 medium scale companies were selected. Non probability sampling method is adopted since the sampling area and sample size are large. In descriptive research survey, the primary data were collected by both questionnaire method and also by scheduling method i.e by interviews. SPSS 16.0 version (Statistical Package for the Social Sciences) is used in this study to analyze the data using the statistical tool multiple regression analysis.

Digitalization Framework



Digital Awareness

Optimization of website by proper website designing, relevant data like title tag, logo images etc., for the targeted audience. This provides a clear idea for the customer to select the apt action; Social networking sites plays a significant role in digitalization of business, the transformation of information for the stake holders can develop core value of the company; Personalization aids companies to make pleasant experience for the customer. This can be proceed by the segmentation of customer and communicating information via email, whatsapp, twitter, facebook etc., and also it gives the feedback for the companies to improve the product or service according to their needs; Automation of office organization plays a major role in digitalization because all the newly formulated strategy is operated by the low level/ supervisory management.

Formulation of Digital Strategy

Formulation of digital strategy key factor to accomplish the business goal; this formulation is based on the Situational Analysis or analyzing business environment by SWOT (strengths, weaknesses, opportunities and threats) and PESTLE (political, economic, social, technological, legal and environment factors) analysis. This analysis helps to formulate the best suit digital strategy such as stability, expansion or combination strategy which is suitable for the concern. Once the digital strategy is formulated it can implemented at the standard level. Optimization is critical to the success of your digital strategy. This optimization stage helps to alter our strategy according to the requirement of business.

Digital Transformation

Digital transformation is constructed on advanced digital technology such as analytical tools including big data, mobile tools includes social media and internet oriented applications. The combination of digital technology with apt strategy improves the overall performance of

business unit. Efficiency of digital strategy can be measured with the expected level of standard if any corrections action required it can be modified and again it should be verified.

Variables Influencing for Digital Transformation - Using Multiple Regression Model

A multiple regression model is used to predict the independent variables which influence more on the dependent variable and also the relationship exist between those variables. This study focuses on the digitalization of business using the acceptable strategy. For this digitalization which independent factors such as Operation scope, size of organization, involvement of top management, socio-economic factors, global factors and technological factors, influence the organization for transforming or implementing digital strategy?

Hence the following hypothesis and regression model is proposed.

H₁ – There is no relationship exists between the digital transformation and the internal and external environmental factors of business organization.

$$\text{Digital Transformation} - Y_{1a} = b_{1a} + b_{1a1} X_1 + b_{1a2} X_2 + b_{1a3} X_3 + b_{1a4} X_4 + b_{1a5} X_5 + b_{1a6} X_6$$

x₁ – Operation Scope

x₂ – Size of organization

x₃ – Involvement of Management

x₄ – Socio-Economic Factor

x₅ – Global Factor

x₆ – Technological Factor

b_{1a1}, b_{1a2}, b_{1a3}, b_{1a4}, b_{1a5}, b_{1a6} – Regression Coefficients

b_{1a} – Regression Constant

Model Summary (F)

The coefficient of determination R² was compared to determine percentage variation in the dependent variable. F value was to compute the significance of R² with F-distribution at 5% level of significance. The model is found fit on significance the (.000) of independent variable influencing on digital transformation are operation scope, size of organization, involvement of top management, socio-economic factors, global factors and technical factors. The prediction ability of the model is expressed by R square which was .895 whereby 89%, of the variance in digital strategy was explained by the above said variance with F-value 388.378 at .000 level of significance

Table 1 - Multiple Regression Model for Digital Transformation as Criterion Variable and Environmental Variables as Predictors

Summary Output

<i>Regression Statistics</i>	
Multiple R	0.895761212
R Square	0.619544209
Adjusted R Square	0.610035791
Standard Error	0.284102424
Observations	110

ANOVA

	<i>Df</i>	<i>SS</i>	<i>MS</i>	<i>F</i>	<i>Significance F</i>
Regression	6	178.41116422	29.73519376	388.3786046	1.4071E-280
Residual	110	109.5382507	0.080720892		
Total	110	287.9494153			

Coefficient Model

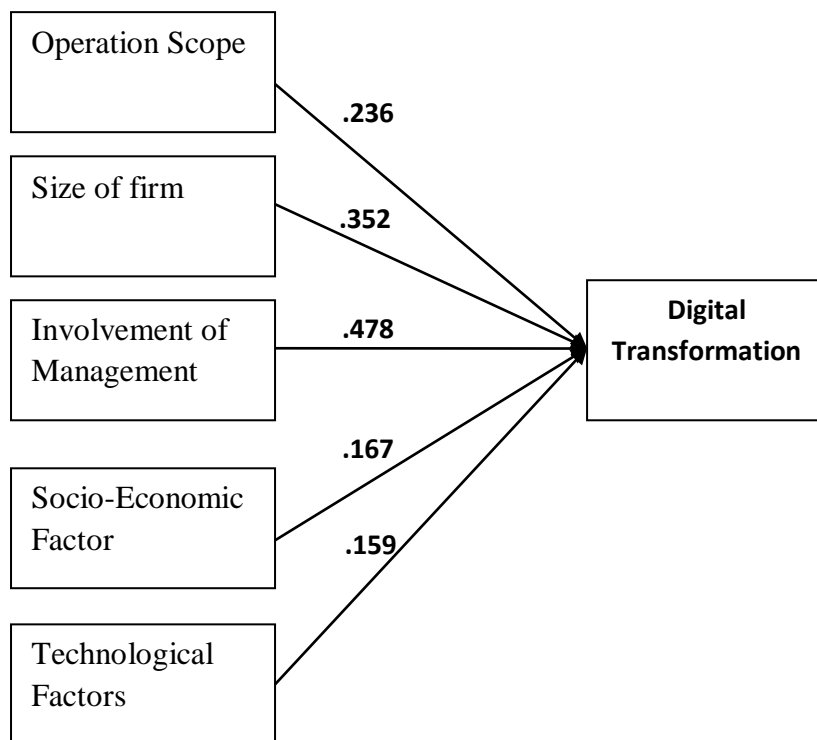
	<i>Coefficients</i>	<i>Standard Error</i>	<i>t Stat</i>	<i>P-value</i>
Intercept	1.8971	0.0329	67.8952	0.0000
Involvement of Mgt.	0.4784	0.0198	29.6831	0.0000
Size of firm	0.3529	0.0179	22.5429	0.0000
Operation Scope	0.2368	0.0164	20.6432	0.0000
Socio-Economic Factor	0.1675	0.0159	19.9120	0.0000
Global Factor	-0.0085	0.0108	-0.4200	0.5765
Technological Factor	0.1592	0.0148	8.9645	0.0000

a. Predictors: (Constant), Operation Scope, Firm Size, Involvement of management, Socio-economic factors, Global factors, Technical factors

b. Dependent Variable: Digital Transformation

Fig 1. Conceptual Framework - Variables Influencing for Digital Transformation

From the above table it is clear that there is relationship between the environmental factor and the digital transformation of business concern. Out of the six independent variable involvement shown by the top management influence more on the decision of digital transformation (β 0.4330, $t=$ 22.6521) followed by Tax Benefit ($\beta =$ 0.3732, $t=$ 20.542), next variable is Good Return ($\beta =$ 0.2019, $t=$ 19.1638) and finally liquidity ($\beta =$ 0.1532, $t=$ 6.4497).



Regression Equation

$$\text{Digital Transformation} = .897 + .478 (\text{Involvement of Management}) + .352 (\text{Size of firm}) + .236 (\text{Operation Scope}) + .167 (\text{Socio-Economic Factor}) + .159 (\text{Technological Factor})$$

Findings & Suggestion

This study reveals that both external environmental factor such as socio-economic factor, technological factor and internal factors are involvement of top executives, operation scope and size of firm encourage the firm to involve in formulation of digital business strategy. For the implementation and succession of this business strategy is taking care by the management otherwise it will not create more impact on the performance of organization.

Conclusion

The implication for this study is that, although environmental factors are impact on this digital strategy, many failure are occur in the medium scale industries due to lacking of



update of technology and training for the employees. Appointment of separate technological head and monitoring the process of digitalization work can eliminate the chance of failures.

Reference

1. Kane, G. C. Palmer, D. Phillips, A. N. Kiron D. and Buckley, N., (2015), "Strategy, Not Technology, Drives Digital Transformation", *MIT Sloan Management Review and Deloitte University Press*, July.
2. Ashley Harshak, Benedikt Schmaus, Diana Dimitrova (2013), "Building A Digital Culture: How to Meet the Challenge of Multichannel Digitization" - *Report Published by Booz & Company*.
3. Chaffey, D. and Wood, S. (2005), "Business Information Management. Improving Performance Using Information Systems", *Financial Times Prentice Hall*, Harlow.
4. Chaffey, D., Mayer, R., Johnston, K. and Ellis-Chadwick, F. (2009), "Internet Marketing: Strategy, Implementation and Practice", 4th edn. *Financial Times Prentice Hall*, Harlow.
5. Kay Dora Abd Ghani, Surina Nayan, S.A.I.S. Mohd Ghazali, L.A. Shafie,(2010), "Critical Internal and External Factors that Affect Firms Strategic Planning", *International Research Journal of Finance and Economics*, 51:50-58, October.
6. Harold Siow Song Teng, Gurpreet Singh Bhatia, Sajid Anwar, (2011) "A Success Versus Failure Prediction Model for Small Businesses In Singapore", *American Journal of Business*, Vol. 26, Issue. 1, pp.50 – 64.