Digital Transformation in Business: The Impact of Technology on Efficiency, Innovation and Competitiveness

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ABSTRACT

Digital transformation holds a central position in contemporary business discourse, exerting substantial influence on market dynamics and corporate strategies. Its pertinence is notably accentuated within the milieu of globalization and intensifying market rivalry, owing to the swift evolution of technology. The study aims to scrutinize the ramifications of digital transformation on enterprise efficiency, innovation, and competitiveness, emphasizing enhancements in business models. The research methodology adopted for this investigation relies on a thorough examination of scholarly publications, statistical datasets, and expert viewpoints. This approach facilitates a comprehensive exploration of the subject matter, enabling the identification of pivotal trends. The study findings reveal a noteworthy augmentation in the operational efficiency of businesses resulting from the integration of digital technologies, including but not limited to big data, artificial intelligence, and cloud computing. The investigation discerns that digital transformation catalyzes the creation of innovative products and services, enabling companies to adeptly navigate dynamic market conditions. Emphasis is placed on the significance of strategic planning within the framework of digital transformation. The analysis elucidates that efficacious adaptation to digital transformations necessitates not only the incorporation of novel technologies but also the formulation of strategies that account for shifts in corporate culture and consumer behavior. This highlights avenues for more profound investigations into the repercussions of digital transformation across diverse facets of business, encompassing human resource management, marketing, and product development. Nevertheless, the study also brings to light challenges, notably the imperative to revise corporate culture and enhance employee skills. Emphasis is underscored on the critical significance of an integrated approach encompassing technological innovation, organizational change, and cultural transformation. The article advances recommendations for future research endeavors, suggesting an analysis of the discrete impacts of individual technologies on diverse facets of business and the formulation of strategies conducive to the efficacy of digital transformation.

HIGHLIGHTS

- The research affirms that digital transformation has evolved from a discretionary measure to a requisite element for enterprises striving for market leadership, necessitating strategic planning, cultural changes, and a profound understanding of digital opportunities.


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The study underscores that digital transformation is inducing fundamental alterations in companies’ business models, with technologies like big data, cloud computing, and artificial intelligence playing pivotal roles. The findings emphasize the importance of striking a balance between technological upgrades, structural flexibility, and strategic planning to optimize the positive impact on competitiveness and innovation.

Keywords: Digital transformation, business, innovation, competitiveness, technological progress

Within the dynamic and evolving global business landscape, digital transformation is emerging as a pivotal force reshaping the paradigms of productivity, innovation, and competitive dynamics. This article concentrates on the intricate impact of technological advancements on business efficiency, innovation, and competitiveness across diverse industries.

The foundation of this transformative process lies in the integration of sophisticated technologies, including artificial intelligence, big data analytics, cloud computing, and the Internet of Things (IoT). These technologies are not merely instrumental tools; rather, they function as catalysts that fundamentally redefine business processes, customer interactions, and market strategies. Nevertheless, the journey of digital transformation is fraught with complexities and challenges, necessitating strategic planning, alterations in corporate culture, and a profound comprehension of digital opportunities.

In this article, we scrutinize the intricate interplay between technology and business performance, underscoring that digitalization has evolved from a discretionary measure to a requisite element in the quest for market leadership. Our examination delves into the mechanisms through which companies adeptly embracing the digital milieu attain substantial efficiency gains, surpassing competitors who lag in their adoption of digital practices. Furthermore, we scrutinize the role of innovation within the context of digital transformation, elucidating how technological advancements empower businesses to generate novel products, services, and business models. These innovations serve not only as growth catalysts but also as pivotal elements in adapting to evolving consumer preferences and emerging market trends.

Finally, the article addresses the competitive implications inherent in digital transformation. In an era characterized by technological parity, we explore how businesses can employ digital strategies to secure a competitive advantage, extend their presence into new markets, and establish sustainable, future-oriented enterprises.

The primary objective of this article is to furnish a comprehensive analysis of the influence of digital transformation on business processes, with a specific focus on the efficiency, innovation, and competitiveness of enterprises. The article endeavors to pinpoint the pivotal technological innovations that underpin digital transformation and evaluate their direct influence on the evolution of business models and strategies within companies. Additionally, it aspires to scrutinize the challenges and opportunities stemming from digital changes and engage in a discourse on strategies that companies can employ to adeptly adapt to these transformative shifts.

Literature Review

The chosen topic represents a shared focal point for scholars on both sides of the Atlantic Ocean, leading to a substantial body of literature requiring thorough analysis. Consequently, the study conducted by Almaazmi et al. (2020) delves into the examination of the influence of digital transformation on product innovation. The paper undertakes a critical review of extant research, elucidating how digitalization influences the process of developing new products. The study conducted by Bresciani et al. (2021) extends the exploration of this topic by investigating digital transformation as a catalyst for innovation, encompassing not only products but also processes and business models. The authors emphasize the diverse ways in which digital technologies can play a contributory role in fostering innovation within companies.

Additionally, the research conducted by Chen & Kim (2023) delves deeper into the ramifications of digital transformation on innovation performance, with a specific focus on the mediating role of innovation factors. This study underscores how the integration of digital innovation can enhance
the overall productivity and competitiveness of organizations.

De Souza, Szafir-Goldstein, & Aagaard (2020) concentrate on the Internet of Things (IoT) within the framework of digital transformation and business model innovation, utilizing the case study of a traditional Brazilian wholesaler. Their analysis illustrates the transformative potential of IoT in fundamentally reimagining conventional business approaches.

The investigation conducted by Du, Shen, Song, & Zhang (2023) extends this trajectory by exploring the correlation between digital transformation and innovation in energy technology. Through an empirical study involving publicly traded enterprises, the authors aim to discern the impact of digitalization on innovation endeavors within the energy sector.

Concurrently, El Khatib et al. (2022) scrutinize digital transformation and the role of SMART analytics within this framework. Their study underscores the significance of analytical tools in enhancing efficiency and promoting innovation within the context of digital transformation.

Ernstsen, Whyte, Thuesen, & Maier (2021) investigate how innovative leaders influence the future by presenting three visions of digital transformation in construction. The paper underscores how leaders can leverage digital technologies to actualize innovative ideas and strategies within the construction industry.

In a parallel vein, the study by Florek-Paszkowska, Ujwary-Gil, & Godlewska-Dziobiń (2021) extends this thematic exploration by examining business innovation and key success factors within the context of digital transformation and periods of instability. The authors underscore the imperative for companies to adapt to a swiftly changing environment.

Gobble (2018) addresses the subject of digital strategy and digital transformation, emphasizing how companies can formulate and execute efficacious digital strategies to bolster innovation and enhance business processes.

Conversely, Guarda, Balseca, García, González, Yagual, & Castillo-Beltran (2021) scrutinize contemporary trends in digital transformation and innovation. Their research is dedicated to comprehending the most recent developments in digital transformation that impact various facets of business.

Hormacher & Hess (2016) investigate the role and responsibilities of the Chief Digital Officer within the framework of digital transformation. The study delves into the managerial tasks and roles associated with this newly established C-level position in the process of digital transformation.

In a parallel context, Li, Rao, & Wan (2022) explore the interrelation between the digital economy, enterprise digital transformation, and enterprise innovation. Their analysis concentrates on delineating how digital transformation influences the innovation activities of enterprises.

Li, Gao, Han, Gupta, Alhalabi, & Almakdi (2023) investigate the influence of digital transformation on the innovation performance of enterprises. Their study scrutinizes the extent to which digitalization contributes to enhancing the innovation capabilities of companies.

Concurrently, Li, Wen, Zeng, & Liu (2022) examine whether digital transformation has positively impacted the technological innovation performance of enterprises through an analysis of Chinese public companies. This paper specifically concentrates on elucidating the impact of digital transformation on the innovation activities of enterprises.

Liu, Wang, & Li (2021) conduct a comparative analysis of the influence of digital transformation on both the quantity and efficiency of technological innovation, employing Chinese agricultural public companies as a case study. The authors assess whether distinctions exist in the quantity and quality of innovations spurred by digital transformation.

In a parallel investigation, Liu, Li, Wang, & Li (2023) explore the relationship between digital transformation, risk-taking, and innovation, utilizing data obtained from Chinese public enterprises. This study elucidates how digital transformation can impact enterprises’ risk appetite and innovation potential.

Oeij, Dhondt, Rus, & Van Hootegem (2019) underscore that digital transformation necessitates innovation in the workplace. Their discussion revolves around the critical role of workplace innovation in facilitating the successful digital transformation of enterprises.
Conversely, the study by Peng & Tao (2022) centers on assessing whether digital transformation can enhance entrepreneurial productivity from the perspectives of public policy and innovation. The authors analyze the intricate interplay between digital transformation, public policy initiatives, and enterprise innovation.

Prem (2015) formulates a digital transformation model for innovation. This study offers pragmatic guidance for enterprises aiming to leverage digital technologies to stimulate innovation and enhance business models.

In a parallel investigation, Ren & Li (2022) scrutinize the interrelations among digital transformation, green technological innovation, and the financial performance of enterprises. The authors conduct an analysis of the annual reports of publicly traded Chinese renewable energy enterprises to discern the influence of digital transformation on green innovation and financial performance.

Schwertner (2017) delves into the digital transformation of business, concentrating on key aspects and challenges encountered by enterprises throughout this process. The work offers an overview of the digital transformation process, encompassing its impact on business models and organizational structures.

Simultaneously, Shen, Zhang, & Liu (2022) probe the influence of digital technology adoption, digital dynamic capability, and digital innovation orientation on the effectiveness of digital transformation in the textile industry. The authors specifically concentrate on examining the moderating role of digital innovation orientation.

Tomičić Furjan, Tomičić-Pupek, & Pihir (2020) scrutinize digital transformation initiatives through case study analysis. Their research contributes to a profound comprehension of digital transformation processes through case studies.

Conversely, Van Tonder, Schachtebeck, Nieuwenhuizen, & Bossink (2020) formulate a framework for digital transformation and business model innovation. Their work provides a structured approach aimed at comprehending and implementing digital transformation within the framework of business innovation.

Vaska, Massaro, Bagarotto, & Dal Mas (2021) perform a structured literature review on the digital transformation of business models. Their study accentuates the significance of adapting business models to the digital age by identifying key success factors and challenges.

On a parallel note, Westerman & Bonnet (2015) investigate how companies can revitalize their business through digital transformation. Their work centers on the strategies and approaches that companies can employ to effectively undergo digitalization.

Xue, Zhang, Zhang, & Li (2022) inquire into whether digital transformation can stimulate green technological innovation. The authors scrutinize the relationship between digital transformation and the advancement of green technologies.

Concurrently, Zhai, Yang, & Chan (2022) investigate the influence of digital transformation on the financial productivity of enterprises, drawing insights from the experiences of companies in China. Their study illustrates how digital transformation can positively impact the overall productivity of enterprises.

Zhao, Sun, Zhao, & Xing (2022) analyze the extent to which the digital transformation of manufacturing enterprises can foster innovation. They investigate the correlation between digital changes in manufacturing and the level of innovation exhibited by enterprises.

Simultaneously, Zhuo & Chen (2023) scrutinize whether digital transformation can mitigate the innovation dilemma in enterprises. Their analysis involves examining the effect, mechanism, and effective limits of the impact of digital transformation on enterprise innovation.

As evident from the analyzed works, the focus lies on elucidating the influence of digital technologies on innovation, competitiveness, and the evolution of business models. The literature frequently underscores the crucial significance of maintaining a balance between innovation and risk, instigating changes in corporate culture, and addressing the imperative of staff training and adaptation. It is unequivocal that companies adeptly implementing digital transformation gain substantial advantages in the contemporary dynamic business environment.

Despite the substantial body of literature addressing the subject matter delineated in the title of this article, certain facets necessitate a more comprehensive
investigation. These areas of focus encompass a meticulous examination of the repercussions of digital transformation within industries that have received comparatively less attention. Moreover, an exploration of the enduring effects of digital change on organizational structure and culture, and the formulation of strategies aimed at mitigating the risks inherent in the process of digital transformation are worthwhile.

**Methodology**

The methodology employed in this article is grounded in a thorough analysis of contemporary research, statistics, and literature reviews pertinent to digital transformation in the business domain. The central objective is to investigate the influence of digital technologies on the efficiency, innovation, and competitiveness of enterprises. To uphold objectivity and comprehensiveness in the review, a diverse array of sources is utilized, encompassing academic publications, reports from industry analysts, and articles authored by experts in the digital economy. The methodology entails a critical appraisal of existing data, coupled with the interpretation of findings within the context of prevailing trends and challenges associated with digital transformation.

**RESULTS**

**The impact of digital transformation on the innovative efficiency of enterprises**

Digital transformation exerts a substantial influence on the innovative efficiency of enterprises, constituting a crucial facet of contemporary business practices. Recent research indicates that digitalization not only revolutionizes operational methodologies but also fosters an upswing in profits and market share. For instance, 70% of organizations are presently in the process of developing or actively implementing digital transformation strategies, with 56% reporting augmented profits attributable to digital initiatives (Sky, 2023). Enterprises with strategies centered around digitalization exhibit a 64% higher likelihood of attaining their business objectives (Sky, 2023).

Industries proactively embracing digital transformation, such as the service, financial services, and healthcare sectors, demonstrate a heightened readiness for digital change (Sky, 2023). Concurrently, technologies like artificial intelligence and cloud computing play a pivotal role in crafting innovative solutions and enhancing customer experiences. These technologies contribute not only to the optimization of business processes but also to the creation of new products and services aligned with evolving market demands.

Digital transformation unveils substantial prospects for the innovative advancement of enterprises, elevating their competitiveness and enhancing adaptability to the swiftly evolving business landscape.

The provided graph illustrates a comparative analysis of companies’ priorities for the period spanning 2020 to 2021 (Fig. 1).

![Fig. 1: Comparative analysis of companies’ priorities, 2020-2021](source: Bychek, 2022.)

The graphical representation indicates that digital transformation emerged as the predominant initiative that companies focused on during both 2020 and 2021, with a slight increment from 54% to 56%, respectively. Cybersecurity, cloud migration, and enhancing customer experience also stood out as significant initiatives, experiencing an upward trend from 2020 to 2021. While cost savings, automation, and analytics are considered lower in priority, they remain notable initiatives in terms of respondent engagement.

Contemporary studies underscore that digital transformation is not merely altering operational methodologies in businesses but is also actively
fostering increased profitability and market share. Specifically, strategies oriented toward digitalization enable companies to attain their objectives with greater efficiency, enhance operational effectiveness, and unveil new opportunities for innovation (Kryshtanovych et al. 2021).

Industries at the forefront of implementing digital innovations, such as services, financial services, and healthcare, exhibit notable preparedness and adaptability to digital change. Artificial intelligence and cloud technologies play a pivotal role in the landscape of digital transformation, serving as crucial elements in crafting innovative solutions and enhancing customer experiences. These technologies contribute not only to the enhancement of operational efficiencies but also to the creation of novel products and services aligned with evolving market demands (Mia et al. 2022).

Collectively, digital transformation presents significant opportunities for businesses across diverse industries, augmenting their competitiveness and fostering innovative development.

The impact of digital transformation on companies’ business models

Digital transformation is inducing alterations in the foundational principles of companies’ business models. Statistically, 70% of organizations have either developed or are actively working on digital transformation strategies. Global spending on digital transformation is anticipated to reach $6.8 trillion by 2023, with a Compound Annual Growth Rate (CAGR) of 19.1% from 2021 to 2026 (Sky, 2023). These statistics underscore substantial investment potential and underscore the prioritization of digital transformation in companies’ business strategies. Nevertheless, 55% of companies lacking digital transformation initiatives perceive that they have less than a year before they begin losing market share, underscoring the significant implications of digital adaptation. Furthermore, industry leaders, including services, finance, and healthcare, demonstrate the highest rates of successful adaptation to digital transformation, standing at 95%, 93%, and 92%, respectively (Sky, 2023). The evolution of business models in the era of digital transformation holds strategic significance, with 91% of enterprises presently having or intending to formulate a digital business strategy. These transformations necessitate companies to not only embrace novel technologies but also instigate cultural and organizational changes. Such changes encompass fostering collaboration between humans and artificial intelligence, along with elevating digital skills proficiency among employees.

The ensuing graph depicts the evaluation of technologies that respondents believe are most likely to confer a competitive advantage upon their organizations in the upcoming year (Fig. 2).

![The evaluation of technologies](source: Statista, 2023.)

**Fig. 2:** The evaluation of technologies

Big Data/Analytics takes the lead with 64%, underscoring the substantial value attributed to data and its processing capabilities for business purposes. Cloud computing secures the second position with 50%, highlighting the significance of flexibility and scalability in organizational operations. Artificial Intelligence/Machine Learning follows closely at 44%, indicative of the pivotal role played by these technologies in enhancing efficiency and fostering innovative solutions. Other technologies, including robotic process automation, the Internet of Things, and on-demand marketplace platforms, are also acknowledged as important but wield comparatively less influence. The utilization of Big Data and Analytics, in particular, is reshaping companies’ capacity to forecast trends and make data-driven decisions. The integration of cloud solutions furnishes organizations with elasticity and facilitates cost optimization (Levytska et al. 2022). Artificial intelligence and machine learning technologies contribute to enhancing the personalization of products and services, as well as refining work processes. The evolution of the
Internet of Things and robotic process automation is expanding possibilities for customer interaction and optimizing production processes. Consequently, digital transformation not only augments innovation capabilities but also necessitates businesses to exhibit flexibility in adapting and evolving in response to technological changes.

DISCUSSION

The exploration of the influence of digital transformation on business models is intricately linked with the examination of its impact on the structural facets of organizations. On one hand, there is a prevailing belief that digital transformation catalyzes innovation and fortification of competitive positions, as evidenced by van Tonder, Schachtebeck, Nieuwenhuizen, & Bossink (2020). On the other hand, concerns arise regarding the challenges associated with digital transformation, such as data security and the imperative to cultivate relevant skills in employees, as articulated by Vaska, Massaro, Bagarotto, & Dal Mas (2021). Nonetheless, there exists a perception that digital transformation has the potential to disrupt traditional business models, thereby posing risks for companies unable to adapt swiftly. Consequently, organizations are compelled to not only invest in new technologies but also to formulate new organizational structures and learning strategies. Within this context, the discourse broadens to encompass the interplay between technological innovation and socioeconomic changes within organizations.

Given this perspective, our assessment posits that to optimize the positive impact of digital transformation, it is crucial to strike the right balance between technological upgrades and structural flexibility. This entails not only the incorporation of advanced technologies but also cultural adaptation and employee skills development, ensuring effective interaction between human and technological capital.

Another pertinent topic is the influence of digital transformation on the competitiveness of companies. This extends beyond technological considerations to encompass strategic planning, changes in corporate culture, and employee skills development. In this context, companies must strike a balance between adapting to new technologies and preserving an innovative culture that contributes to a competitive advantage.

CONCLUSION

Digital transformation in business has emerged as a pivotal factor influencing the efficiency, innovation, and competitiveness of enterprises, notably by enhancing their capacity to swiftly respond to changing market conditions. The analysis revealed that the integration of new technologies, including big data, artificial intelligence, and cloud computing, plays a crucial role in stimulating innovation and improving business process efficiency.

The study results affirm the innovative nature of approaches to adapting and developing business models in the digital economy, distinct from traditional management models. Despite the positive impact of digital transformation, the study identified challenges, including the imperative to enhance staff skills and update corporate culture to align with new technologies. It is recommended that companies not only implement technological innovations but also formulate strategies that ensure flexibility, prompt adaptation, and sustainable innovative growth.

The findings underscore the substantial practical significance of digital transformation, providing companies with tools to enhance efficiency and competitiveness. For future research, there is a proposal to concentrate on a detailed analysis of the impact of specific technologies on various aspects of business and the formulation of comprehensive strategies for effective digital transformation.

REFERENCES


