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Unpacking digital transformation and its implications for business and policy

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Understanding the idea of ‘digital transformation’ is said to be increasingly crucial to appreciating how modern small businesses operate, and how they can be helped to thrive and grow.

Digital transformation, broadly speaking, refers to the growing pace by which businesses are integrating technologies such as cloud computing, e-commerce, video conferencing into their practices, and finding new ways of delivering value to customers. This has been accompanied by growing awe at the positive and negative implications of the transformation and their impact on jobs, sectors and everyday life more generally. It has also begun to gain widespread currency amongst policymakers and supporters of small businesses in business schools, with transformation viewed as having significant implications for business competitiveness.

However, whilst the growing prevalence of digital adoption is evident in data, the danger of language like “transformation” is that it can put undue emphasis on the role of technology in driving change, at the expense of the agency of businesses and employees themselves. As sociologists point out, the use and adoption of technologies is shaped by the choices, beliefs and actions of business and individuals that use them. In addition, focusing too much on those who do adopt different digital technology solutions can underemphasise the persistence of the material aspects of business processes in small businesses elsewhere. This is something that business experts and practitioners have to be wary of overlooking.

At Cardiff Business School's Welsh Economy Research Unit (WERU) we have been studying small and medium-sized enterprises (SMEs) and their adoption and use of digital technologies, enabled by broadband, through annual longitudinal survey analysis and case studies of business practices (<https://www.cardiff.ac.uk/superfast-broadband-project>). Our research points out the general growing take-up of digital technologies over time and highlights some of the benefits that businesses have been able to gain in areas such as turnover, employment and innovation. The emergence of such benefits, however, is often gradual and highly uneven, and varies greatly between businesses in different sectors and geographical regions. The rate of this adoption is further shaped by business resources, such as access to broadband, funding and the skills and capability to make use of digital technologies.

WERU's research also suggests that, rather than being a rapid, all pervasive process, technological adoption is more of a transitional process, where digital technologies are melded with existing analogue activities like face-to-face communication, physical retailing, and material aspects of production. These processes unfold in more complex and uneven ways than is often implied when we talk about the power and effects of digital transformation at present, and looking at analogue processes alongside digital ones may represent a more insightful way to understand what aspects of business persist over time, and how others are integrated with digital processes. This could include examining the reasons why small businesses resist digitisation, and tracking the experiences that small businesses have of using digital technologies.

The role of government in business digital adoption is a further area which is only now beginning to be explored. While policy makers have placed significant emphasis on ensuring digital networks are available across regions globally, WERU's research on the Cardiff City-Region highlights the dangers of such investment in infrastructure further exacerbating socio-

economic regional differences, and the need for complementary policy action to prevent sub-regions falling further behind their more prosperous counterparts. Policy makers are also seeking to support businesses through dedicated advice on digital adoption. Such developments will require policy makers to give careful consideration of the true cost and benefits of digital (e.g. websites, video content) and analogue forms of business support (e.g. workshops of face-to-face advice) and services. Digital may have a role to play in many public services, but our research suggests that we should not assume that digital support alone is always best for all businesses and societal groups.

This emerging research agenda suggests that whilst the notion of digital transformation helps to cast some light on the growing presence of digital technologies in business, policy, and wider society, it leaves us in danger of assuming that small businesses will inevitably be able to take part in this process, and it ignores the ways business in different sectors may struggle with or resist the change, or even simply use it in ways we hadn't previously identified or considered. Our research shows that SMEs are responding to the challenges and opportunities associated this transition, and are finding new ways of working, and integrating digital technology into work, business, and new policy thinking is emerging. This cannot be reduced to a purely technological process and requires those who support small businesses to consider the contexts they operate in, and appreciate the ways traditional analogue processes, new digital technologies, and the people at the heart of small businesses interact.

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businesses, public and third sectors (<https://www.cardiff.ac.uk/research/explore/research-units/welsh-economy-research-unit>).

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Further reading

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