

## **REFLECTIONS ON DIGITAL TRANSFORMATION MOMENTUM IN PUBLIC AND PRIVATE SECTOR ORGANISATIONS**

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### **Abstract:**

*Taking in consideration the actual stage for the economy we will analyzed some transformation that are necessary in order to survive, especially for small and medium enterprise but of course that can be apply at all levels from individual to government.*

*The degree of digitalization of the activity was a key factor in the impact that the crisis generated by this pandemic. We noticed in our study that Small and Medium Enterprises in our city but also around the globe are being still behind the larger organizations in terms of technology adoption. This small and medium size companies must now more than ever to adopt to the new digitalize era.*

*The remarks from this study could be very relevant for governments in developing policies to ensure that Small and Medium Enterprises benefit from what they need to recover.*

**Keywords:** *digitalization; crises; Small and Medium Enterprises(SME);*

**JEL classification:** *M15, O33*

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### **1. Introduction**

The world is changing more and more often and each time faster and faster. If some time ago we were not quite sure, now we have to give credit to Heraclitus and his “Panta rei” (everything flows), the continuous change that he wrote so expressively, when he stat that the change came each and every

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time. The electronic environment could not be any more ignored especially when everything is changing and this time the change is the digitalization.

We have to note that the English word “crisis” came from the Latin, which was borrowed from the Greek “krisis” meaning “decision”. The noun is derived from the verb “krino”, which means “distinguish, choose, decide”, so has also some positive connotations at least until the Medieval Times. War or peace, disease or recovery, fortune or ruin, abdication or not - in all these senses a crisis is an intermediate stage leading to something, good or bad we can say. But sometimes it is just used to mean a very serious thing that has happened. (BBC Magazine Monitor, 2015)

In Chinese, a crisis is called “Wei Ji”, meaning both a danger and an opportunity. More firms in China are striving to survive the COVID-19 crisis. Overcoming difficulties during the crisis and transforming the crisis into an opportunity are common choices of all firms in China. Among the surviving firms in China, a majority perform fairly well in marketing innovations to adapt quickly to turbulent, uncertain, and ambiguous environments. For example, weak consumer demand is one of the greatest challenges in the COVID-19 crisis. Therefore, based on deep insight into the changes in consumers' psychology and behaviors during home isolation, many retailers and even some leading manufacturers choose to use e-commerce live-streaming as a new channel that can be adapted to the policy of home quarantine and makes it more convenient for consumers to obtain access to the products or services they need. (Wang, Yonggui Et al, 2020)

The COVID-19 outbreak is a sharp reminder that pandemics, like other rarely occurring catastrophes, have happened in the past and will continue to happen in the future. Even if we cannot prevent dangerous viruses from emerging, we should prepare to dampen their effects on society. The current outbreak has had severe economic consequences across the globe, and it does not look like any country will be unaffected. This not only has consequences for the economy; all of society is affected, which has led to dramatic changes in how businesses act and consumers behave. (Naveen Donthu, Anders Gustafsson, 2020).

According to He and Harris (2020), the pandemic world has found the society and the consumer unprepared for the upheaval that was generated by COVID-19. The consumers were forced into isolation, with limited choices in terms of products and accessibility and increase in immediate demand.

Probably the most affected sector, after the health sector, is the international business world, were in the SARS-COV-2 world, the global

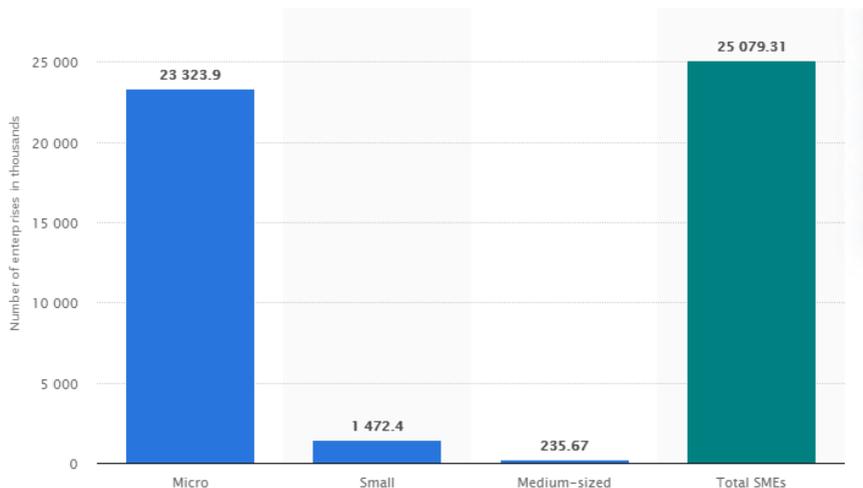
supply of goods was reduced to a virtual standstill, consumers that before 2020 were very interested in global brands, were forced to local, regional and national products or services. Another affected industry was the tourism, hospitality & airline industry, with hotels, restaurants being closed, airlines were forced to ground and cancel flights, countries limited the incoming of tourists etc. (Mircea Fuciu, 2020)

Although fundamental, for a long time, the role of culture in society has been diminished, priority being given rather to the economic sphere, considered as the sole holder of sources generating wealth. As awareness of the multiple implications of the cultural aspects occurred, the culture was reconsidered. In parallel, there was a re-evaluation of the culture/economy relationship, the synergy created from their interaction bringing mutual benefits to them and to the society as a whole. (Doris Popescu, 2020)

## **2. The digital transformation momentum**

Small and medium-sized enterprises (SMEs) represent 99% of all businesses in the EU, counting over two dozen million companies in the European Union that employ almost sixty-nine million people.

**Figure 1:** Number of small and medium-sized enterprises (SMEs) in the European Union (Source: Statista 2020)



Almost seven months after the introduction of restrictive measures in various countries results in more than half orders and contracts canceled due to the covid-19 pandemic, and a significant impact for most of the businesses. Not the same could tell about the large companies that were better developed, have cash reserves, quick access to financing lines and others pros. Comparing with them, SMEs are much more exposed to any type of crisis.

Unfortunately we are passing through very uncertain time so we don't know if this was the peak of the economic crisis or they will come this year but we can say that whatever will come digitalization will help SMEs to go through it. So even if only now the greater difficulties will come and everything will spread in the chain of the economy, digitalization will be a plus

Small and medium-sized companies that have been digitized have had the best chance of identifying new business opportunities during the pandemic, and businesses with the highest level of digitalization have secured opportunities at a rate of at least twice higher compared to less digitized businesses.

The biggest gaps are in the digitization of internal organizational processes, where the most can be gained through efficiency.

In recent months, more than half (57%) of small and medium-sized companies in all sectors have registered cancellations of orders or contracts, while 35% of SMEs have indicated that the pandemic has had a significant impact on demand and income.

There are some examples of companies and even countries using the current situation to enhance their competitive situation. One of the countries that seem to be using the situation is China that is buying European based infrastructure and technology. N.A.T.O. Secretary-General Jens Stoltenberg in web conference of defence ministers said: "Some allies (are) more vulnerable for situations where critical infrastructure can be sold out,". Of course he meant China. China has been busy buying infrastructure and technology (Rapoza, 2020).

The limited studies that do exist indicate that the major historical pandemics of the last millennium have typically been associated with subsequent low returns on assets. Significant macroeconomic after-effects of pandemics persist for about decades, with real rates of return substantially depressed, in stark contrast to what happens after wars. (Jorda, Singh, & Taylor, 2020)

### **3. Main findings and discussions**

Small and medium-sized enterprises (SMEs) have an important position in the world wide economy. The accounting information provided by them must have the same role. (Bogdan Marza Et all, 2013)

Small and medium-sized companies have been particularly vulnerable to the pandemic crisis. By investing in SMEs and their digital transformation, we have the opportunity to shape Europe's economic recovery in a way that offers sustainable and impact full change. The observations that results out of this study can be relevant for governments too, in developing policies to ensure the SMEs benefit in order to recover. Now is the time to systematize the digitalization of small and medium-sized companies and analyze how the budgets can be best used to support the resilience and recovery of SMEs.

If you have digitized as many aspects of the business as possible, there are chances that it will work better for you. Sometimes this means that you find new ways to sell your product, but other times it can mean that you have modern software implemented and maybe it allows you to reduce your costs through work from home or business analytics.

In the future, the government should place more emphasis on digitizing the administration and supporting the digitization of SMEs through programs and funds made available to them, and we have to mention that Romania has a lot to recover regarding e-government.

There is a need to digitize the administration here. The Romanian government still gibes you no alternative but to stand in line. That was already a pre-pandemic problem. Now the pandemic shows us how important early digitization would have been and. A significant problem would have been prevented.

For SMEs, however, digitalization is even more crucial because they are considering as the engine of the economy. Here, local and central authorities should insist a lot starting now and implement funds for digitization, assistance and training programs for managers and employees, and they could collaborate with large companies in the field so that at least the free tools put in place willing to reach the interest of SME managers.

There should be found resources to make that possible, for example European Funds Program for 2021-2027 is about to begin in the European Union. One of the programs is the Smart Growth, Digitization and Financial Instruments Operational Program, and it seems designed for that. Probably

funds could be accessed through other programs, some of which are for education or technical assistance.

What is certain is that the world will change, it will be strongly digitized. Romania starts from the beginning with a disability. The DESI 2020 report, Digital Economy and Society Index, made at the level of the European Union, places us on dishonor last three places in the queue, followed only by Greece and Bulgaria. It is the report that, year after year, says that we have high-speed Internet in vain because we do not use it for advanced purposes and no economic growth is built on its foundation. You can see for this the DESI 2020 report on the European Union website.

During this study, I find it gratifying that, at least for the companies I got in touch with, but perhaps even in other parts of the country, I've seen an ever-expanding implementation of card payments, including card-only location, which I find it a miracle and did not think would see too soon in Romania. Most of the companies studied have updated Google Maps and Facebook pages with the operating program and a very strong spread of delivery services through digital platforms and ride-sharing. Great strides have been made in the last year, and the pandemic has accelerated this pace.

In the first places are the some classic problems: finding new customers, keeping existing customers and cost management in order to survive in these conditions. However, other problems should be noted too, the improvement of the products or services offered and the retention of well-trained employees. The fact that there are such problems actually shows that companies are also interested in the two aspects (which is gratifying) and have now noticed problems in their management.

This paper focused more on the digitalization of SMEs and how the use of digital services has helped them get through the crisis so far. I had the opportunity to exchange a few words with some local store. It is good to found that some companies recently were better than in the previous year because it implemented the delivery of orders through its own system and other delivery platforms.

After investing in deliveries, chatting with customers, a well-updated website and what else is needed, he was surprised to discover that he receives more orders per hour than when operating only locally.

It's interesting, even if we talk about a unique situation, you have to think about it and taking it to consideration to multiply: to receive more orders and make more money through digital systems, during the period when the government forces you to keep door closed, than you may discuss about

winning the battle. Of course, a software manufacturer adapts quickly to the need for digitization, but a cafe that relies on atmosphere and slow-food, does not. Overall, however, being a large number of companies involved in our discussion, it is seen that digitalization contributes to the survival of a company and its development in the new conditions of society.

#### **4. Conclusion**

For about the half of the companies digitalization and all of its components were not in a top business priority until these crises, but now things have changes dramatically. The crisis removed this obstacle and almost all are now working or already implement the changes necessary for digitalization.

So the solutions to get out of the crisis are quite clear for private and public also, so the state should take them into account and invest in digitalization if it wants to survive and find a competitive market after the crisis. If some companies have moved very well and use this momentum to adapt both to the present and future, it is also the public sectors turn to adapt to these changes to reach where a part of the Romanian community is it already and we can talk here also about Europe or the world. Whatever he does, the chances of returning to the pre-crisis situation are almost impossible, so every delay will be costly and billed to the population.

Companies that started earlier will take the advantages and benefits sooner. A race for resettlement and a paradigm shift is in progress, from work from home, transportation and many segments more all the way to social relations. This equation is so complicated, unpredictable, with so many new strangers that we will have to step very carefully no matter how brave we are. Both the Romanian and the European and global systems have gone through only two crises in the recent period, they are better prepared, but being so different, this crisis also requires caution and attention, making decisions with great care.

Romania has an advantage that it has always had, namely internet speed, an indicator that until recently placed us in the top of the world, but from here to digitalization there is a long way that the faster we go individually, privately or public, the more we will have an extra chance for the future.

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