

## The Benefits of Digitization for Small and Medium Enterprises

[Beneficiile digitalizării pentru întreprinderile mici și mijlocii]

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**Abstract:** *Digital technologies are awaited to have an enormous influence on developing countries' forecasts for economic growth. Digitization will remodel business activities in many directions.*

*Many organizations and services have remained unlocked during COVID-19 by embracing new concrete distancing practices and technology to maintain their business running and their workers secure.*

*The SME sector is essential to economies around the globe. With normality and revival from the pandemic in sight, it is more important than ever for SMEs to highlight from opponents, be as efficient and successful as possible and provide help to the country's economic recovery.*

*The devices and technology available now can assist to reduce costs, grow effectiveness and grow appearance.*

*By projecting a digital transformation journey and using the first measures to develop a business by inserting in place simple but efficient digitalization devices, SMEs can help future-proof their offering and establish flexibility for years to arrive.*

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What does digitization mean for a company? What steps does a company leader need to take to create a digital organizational culture? What are the factors that facilitate the transition to a digital culture?

The challenges facing companies around the world and in all industries in this transformation are as follows:

1. Connecting to change so as to achieve the capitalization of cloud-centered and mobility-oriented digitization and the internalization of advanced technologies in their operations.

2. Managing a large amount of information and using analytical tools - with clear specialists and processes.

3. Using digitalization as a source of innovation for their customers. What innovative value-added products and services can generate economic growth?

The leaders of a company less affected by digitalization at the moment, not giving its importance, could find in five years that the reality of their market has changed a lot.

In real terms, digitization sacrifices medium and long-term economic results to achieve short-term performance.

Decisions become urgent because performance indicators put pressure on CEOs, so change must be fast and fast. Companies that adapt to these unwritten rules appear quickly on the market.

The argumentation of the company's strategy depends on the leader's understanding of how to generate value and how to have a competitive advantage.

Digital technologies are awaited to have an enormous influence on developing countries' forecasts for economic growth. Digitization will remodel business activities in many directions. Digital technologies may help give real-time data to farmers in inaccessible areas; they facilitate poor people to manage mobile banking services and financial services; they support workers in isolated locations to do contractual business for international clients and small firms to reach export markets. Regularly, these technologies decrease transaction expenses, and they may be applied to make economic affairs more honest and reduce fraud.

The digital policy has an imprecise understanding for most decision-makers. This usually indicates their priorities for digitization and less often indicates their selection in association to important domains of digital competitiveness and the right strategy.

Small and medium-sized companies have struggled to digitize themselves, even though they play an important role in the economy. The problem was related

to the cost of technology and access to solutions. In addition, companies were not ready to digitize, 73% of managers saying in a study conducted in our country that they had difficulties. In addition, 51% did not know how to identify the right technologies for their needs.

A lot of firms are trying to develop their digitalization, but at a small and uncertain level. A cause for that is investment obstacles. Unbeknownst to them, companies believe that the costs of digitization outweigh the benefits that would result from its implementation. A difficult obstacle to overcome.

Moreover, another obstacle is the GDPR, more difficult to implement in digitalization programs than in the traditional plans. This problem is supplemented by the concern of increasing employees' costs and if the company can sustain the costs of information technology. Furthermore, low internet speed is also frequently rated as the reason for a lack of digitization plans.

At the organizational level, the most common blockages can occur due to:

- repetitive work;
- large volume of manual work;
- missing or unclear procedures;
- large volume of documents;
- large volume of data collected and unprocessed;
- lack of human resources;
- lack of digital skills;
- regulations in the field;
- hierarchical decision-making process;
- lack of financial resources.

The SME sector is essential to economies around the globe. With normality and revival from the pandemic in sight, it is more important than ever for SMEs to highlight from opponents, be as efficient and successful as possible and provide help to the country's economic recovery.

The devices and technology available now can assist to reduce costs, grow effectiveness and grow appearance. Absolutely, the pandemic has stimulated this conversion, but companies have to learn about the advantages and how digitalization can complement the business methods already in place to really make it efficient (OECD, 2021).

Companies from Europe no longer fight only with their next-door neighbor or other companies in their country, but with all adversaries in the world business.

It is essential to always be up to date with the most advanced technologies in order to offer the best products and to deliver the most competent services. Digitization is needed to accomplish this purpose.

The real advantages of digitization are numerous and can assist a company in various areas of activity, for example:

- digitization of the resource and employee’s management system can optimize the way activities and tasks are carried out, reduce workflow and produce long-term advantages;
- the use of new machines based on digital technologies can improve the production of goods, both by increasing the quality of the finished product and by accelerating the process;
- it is possible to provide services perfectly tailored to customer requirements, as all the necessary information can be more easily found and analyzed through software applications and various programs;
- contacting new potential customers is much easier thanks to digital marketing and the use of online channels that can identify and communicate to the public who needs the business the most.

Only 25% of small and medium-sized enterprises have spent on advanced technologies in recent years. Analyzing the various occasions that appear in order to generate value for a company, it is obvious that this is not encouraging.

The pandemic has changed the way companies relate to technology. For many entrepreneurs it was the only chance of survival, and many companies had to implement the technology for resilient management and better communication.

According to data published by companies in the United States, 40% of companies going through a crisis never reopen, and 25% fail in a year. The resilience of companies to the crisis is key. This is also achieved through efficient management, good cash flow resources and a medium and long term strategy that takes into account such aspects.

Before COVID-19, these varieties of digital applications were fine to possess, now they are essential. For many companies, these applications can serve them to implement a great quality service at the same time decreasing location visits.

For industries and companies, lockdown circumstances are very challenging and are capable of causing substantial damages. Companies that digitize over their supply chains are properly qualified to administer crises and sudden issues, such as the Covid-19 pandemic. With most of the population obligated to stay inside,

computerized controlled machines and drones can support moving objects around a factory platform.

Firms across the world have replaced office work with work at home due to the coronavirus outburst. For this, employers need to discover the correct devices to control their workers' progress. A lot of these devices have been created to give employers an outlook concerning production processes and completed assignments. For a lot of employers, time tracking is crucial to determine how productive employees are when working remotely whilst others prefer to focus on productivity. But information should be open to both, managers and employers in order to obtain optimal results. With the right technology and software in place, businesses can maximize their employee's capacity to work remotely.

Behind the COVID-19 pandemic, being digital is not just a luxury any longer, it is an essential requirement. The primary action for a company to become digital is the existence of the company's website where future customers can compare and buy the commodities and services. After that, it can begin developing business in search engines and social media platforms.

But digital conversion is not only about having a digital appearance; it is the integration of digital technology into all fields of a business.

The encyclopedia affirms that digital conversion included all the variations connected with the application of digital technology in the many aspects of human organization.

The difference will be the adjustments of the ways in which it will work with the clients and the addition of value to the clients from the portfolio, and not only.

It is not just a superficial transformation; it is a developmental change that demands businesses to continually challenge the status quo, practice, and do not be afraid of defeat.

Today, it can find large-scale digital solutions that can assist and stimulate business growth.

Companies recognize the positive impact of digitization solutions, with operational, financial and strategic benefits. The main indicators used to measure the effectiveness of digitization projects are (Andriescu, 2021):

- financial (for example, up to + 30% increase in turnover);
- operational (workload / documents, duration of processes, response times, traceability of processes, etc.);
- resources involved (employees, infrastructure, customers).

Currently, the degree of digitalization in Romania is well below the European average. According to the DESI 2020 report (Digital Economy and Society Index, conducted by the European Commission), Romania ranks 27th out of the 28 EU member states in terms of the degree of integration of technology in business, surpassing only Bulgaria (EU4Digital).



**Fig. 1.** Top Business Priorities in CEE by Country

Source: IDC, 2020

## Conclusion

In practice, more than three-quarters (78%) of CEOs globally expect their organizations to look different over the next three years as a result of the pandemic, anticipating changes in the way they work and the development of new business models supported by investments in digitization.

Managers will also channel to the investment area. An additional investment of an average of 10-15% will be directed mainly to digitalization, cyber security and sales, to stimulate growth. Investments in digitization will focus on the development of new products and services, IT capabilities and cybersecurity, as well as the environment, health and safety (Gens, F., Whalen M., Mohan, D., Carnelley, P., Carvalho, L., Chen, G., Yesner, R., Dayaratna, A., Della Rosa, F., Wester, J., Villars, R., Jyoti, R., Matsumoto, S., Minton, S., Nadkarni, A., North Rizza, M., Parker, R., Smith, E., Turner, M. J., & Gillen, A., 2019).

- Small and medium-sized enterprises that have embraced digitalization are seeing an increase in revenue of more than a quarter.
- Digitized data permits the companies to join with their clients in more exciting action.
- Digitization of business methods leads to streamlining and improving work processes.
- Customers are satisfied by digitizing commodities and services.

- With the help of digitalization, employees develop their skills.

*Concrete results obtained by digitizing applications* (Voinea, 2021):

- ✓ digitization of documents;
- ✓ digital capture of information;
- ✓ digital signing of documents;
- ✓ instant access to information (basesdata)/documents (both in planinternal as well as in relation to partners);
- ✓ automated handling of goods;
- ✓ digital inventory management;
- ✓ digital order processing;
- ✓ elimination of repetitive activities;

The pandemic has moved companies into the online world like never before, and with clients becoming more digitally skilled, they require similarly from the company, shops, and services providers they communicate and consume their capital with. Not having a digital personality borders a business, not only in terms of reaching clients but with efficiently managing the business as well.

By projecting a digital transformation journey and using the first measures to develop a business by inserting in place simple but efficient digitalization devices, SMEs can help future-proof their offering and establish flexibility for years to arrive.

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