



DIGITAL TRANSFORMATION OF SMALL BUSINESSES: CASE STUDIES AND IMPLEMENTATION FRAMEWORKS

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Abstract

Digital transformation (DT) is no longer relevant to huge organisations but is gradually including small and medium-sized enterprises (SMEs), which are using the digital tools to strengthen their competitiveness, improve organisational efficiency, and meet the changing customer demands. However, these types of firms tend to face stumbling blocks i.e. lack of resources, lack of digital savvy and lack or vagueness of strategic planning which impedes their growth. In this thesis, the authors explain how SMEs can implement digital transformation following the extensive use of the case studies and detailing of organized frameworks that can help successfully implement the process. It also finds important success factors, frequent obstacles, as well as strategic suggestions, which are supported by the empirical evidence.

1. Introduction

Digital transformation (DT) refers to both the process of systematically integrating digital technologies into all the functional areas of an organisation, thereby redefining the dynamics of operations and the processes through which value is delivered to the customers (Westerman et al., 2014). To small business organizations, DT represents both strategic and a source of challenge. To ensure the post-COVID scenario, the Organisation for Economic Co-operation and Development (OECD, 2021) confirms that over 60 per cent of small- and medium-sized firms (SMEs) in the world increased their digitalisation in the process. However, numerous obstacles still continue to pose a challenge to them,



including fiscal constraints, organisational inertia, and lack of a coherent digital strategy, which prevent integration of sustainable change.

This paper explores how small businesses are going through the digital transformation process and it uses empirical case studies and industry models to draw workable insights and suggestions that can be applied to widespread adaptation.

2. Drivers of Digital Transformation in SMEs

Digital transformation is a phenomenon of dire urgency in the case of an SME. The drive to this development is catalyzed by a series of colliding forces:

- Increased expectations on the part of clients, the modern consumer requires faster access, personalized interactions, and immediate response.
- Increased efficiency, accomplished both by cloud based infrastructures and automation workflow systems, combined with the deliberate use of data-based analytics to reduce operating costs and the maximization of effectiveness;
- Heightened competition in the market, as digital-native firms, as well as incumbents, are using digital approaches to seek competitive advantage; and
- Exogenous shocks which represent the significant effects of external influences, in the case of the COVID-19 pandemic, which triggered a rapid pace of digitization of various branches of the economy.

Put together, these forces have digitalization as a prerequisite to survival and sustained growth among SMEs.

3. Case Studies of Successful Transformation

3.1 Case Study: The Blue Bicycle Bakery (UK)

In the context of the COVID-19 pandemic, in a small bakery called The Blue Bicycle located in London, the challenge of switching to the omnichannel selling model was experienced. Through the integration of a Shopify-based e-commerce solution, a local delivery provider (Deliveroo), and a specific advertising on Instagram, the business witnessed a 40 percent growth in the revenue over a six-month interval. The implementation of point-of-sale (POS) systems and



inventory software in the cloud allowed to track its products and stations in real-time and, thus, result in a parallel decrease of product waste.

Key lessons:

- Digital presence can generate new revenue streams.
- SaaS platforms reduce infrastructure burden.
- Social media engagement is a powerful customer acquisition tool (Chaffey, 2020).

3.2 Case Study: FixIt Auto Repair (India)

FixIt is a 10 employee auto-repair establishment based out of Pune, which added digital online booking, WhatsApp as a customer relationship management tool, and Google My Business as a local search engine optimisation system. The program, that required very little financial investment, equated to a three-time increase in the number of customer bookings alongside a subsequent increase in satisfaction ratings.

The realization of two main processes, i.e., the implementation of cost-effective digital solutions and the selective automation of the customer-facing processes, was the basis of the results. The empirical literature supports that digital visibility can be used to build trust in an organisation (Ghosh et al., 2021); and in the instance, the suite of services were combined to lead to building trust in clientele.

3.3 Case Study: Sarto Custom Tailors (USA)

Sarto, a family-owned tailoring business, adopted digital measurement tools, virtual fittings via Zoom, and email marketing automation. This helped them expand beyond their local market to serve remote clients across the U.S.

4. Implementation Frameworks

Implementing DT in SMEs requires a structured and adaptive approach. Two widely recognized models are especially suitable:



4.1 The Digital Maturity Model for SMEs (DMM-SME)

Developed by the European Commission, the DMM-SME consists of five stages:

1. **Non-Digital**
2. **Basic Digitalization**
3. **Intermediate Integration**
4. **Strategic Digitalization**
5. **Innovative Transformation**

Each stage includes assessments across dimensions such as IT infrastructure, digital skills, data usage, and customer interface (European Commission, 2020).

4.2 The ADOPT Framework

Proposed by Deloitte (2019), this framework emphasizes:

- **Assess:** Evaluate current processes and pain points.
- **Design:** Develop a roadmap based on business priorities.
- **Optimize:** Use digital tools to automate or improve tasks.
- **Pilot:** Test new processes in low-risk environments.
- **Transform:** Scale successful initiatives across the business.

This phased approach helps manage risk and aligns transformation with business goals.

5. Challenges Faced by SMEs

Despite the clear advantages, SMEs face several challenges when undergoing digital transformation:

5.1 Financial Constraints

Artistically, the micro firms tend to face the issue of capital boundaries which do not allow the organization to improve their technologies and hire digital specialists (World Bank, 2020). These challenges have been lessened by cloud-based solutions and the freemium business model, but are still major deterrents to strategic financing.



5.2 Limited Digital Skills

A survey by the European SME Observatory (2021) found that over 45% of SMEs cited lack of digital skills as a primary obstacle. Many owners are experts in their craft but lack IT fluency.

5.3 Resistance to Change

Organizational culture plays a crucial role. In family-owned or traditional SMEs, change is often resisted due to fear of the unknown or perceived complexity (Besson & Rowe, 2012).

5.4 Cybersecurity and Data Protection

Any use of digital tools is bound to risk organisations by creating cyber threats. SMEs are especially vulnerable due to the lack of repetitious defence measures and thorough insurance and, therefore, are appealing to harmful parties (ENISA, 2021).

6. Strategic Recommendations

The current discussion contains a series of policy-oriented and actionable recommendations to offer to the small and medium-sized enterprises (SMEs) and policymaking agents.

Start Small, Scale Fast: SMEs should ensure they start small with the digitalization process by using tools that are practical and can solve sets out problems immediately and advances to larger issues as time goes on.

Build Digital Literacy: Successful digital adaptation needs to be preceded by a well-planned employee and managerial training that could involve certification schemes as well as personalized work-related trainings aimed at teaching required digital skills.

A sustainable digital transformation has an ecosystem of alliances between small and medium-sized enterprises (SMEs) and local technology companies, incubators, and government projects. In this ecosystem, SMEs can implement cybersecurity frameworks by employing processes like multifactor authentication, scheduled backups and endpoint protection among other cybersecurity requirements hence protection of organizational data assets. At the



same time, the customer relationship management (CRM) in combination with advanced analytics makes it possible to create the feedback loops in closed communication, which allows evaluating customer satisfaction in real-time and modifying digital practice accordingly.

So as to complement these operational prescriptions, it is recommended that governments and development banks should adopt targeted subsidies and tax incentives to spur the digitalization of SMEs, and the introduction of Digital Innovation Hubs, which will provide access to expert consulting and tooling services.

7. Future Outlook

In the future, digital transformation will become AI-based in nature. The artificial intelligence, predictive analytics, generative AI, and robotic process automation (RPA) will help SMEs more often automate more decisions, tailor offers, and speed up innovation (Accenture, 2023).

Concurrently, the SME operations are likely to be reorganized by other new technologies, i.e., blockchain or the Internet of Things (IoT), which are especially promising within logistics, financial, and manufacturing industries. Their democratic adoption will however depend on their cost, utility and equal access to proper training.

Conclusion

Digital transformation is a major chance that small and medium-sized enterprises (SMEs) have in operating to build organisational resilience, explore possibilities of new markets, and drive innovation. However, the enjoyment of all these gains depends on factors that are more than technological infrastructure. A digital capability requires a strategic focus, a culture of support, and a light-weight operating infrastructure to be successful. Incorporating systematic but formal frameworks and the rational investigation of empirical case studies allow SMEs to turn complexity into the edge. Proper assistance allows such companies to be more than living in the digital environment; they start to define its boundaries.



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