An Analysis of Implementation of Digitalisation in SMEs in India

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ABSTRACT

This article attempted to analyse the implementation of digitalisation in small and medium manufacturing enterprises in India. The objective of the study is to determine the impact of the size of the firm on the adoption of digitalisation, and motives for the adoption and challenges faced during the adoption process. Logistic regression, t-Test and descriptive statistics have been used to analyse the data. The study found that the size of the firm is an important factor for the adoption of digitalisation. An increase in sales, profitability, competitive capability and awareness of the brand were found as the most motivating factor for the adoption of digitalisation. Satisfaction with the current system, high cost, the lack of appropriate technology and the lack of top management support were the most important challenges faced by the organisations during the adoption process of digitalisation. The study recommended firms which have not adopted digitalisation to think in this regard as there are several benefits associated with the adoption of digitalisation.

KEYWORDS

Digitalisation, India, Manufacturing sector, Marketing, SMEs

INTRODUCTION

Digital marketing has changed the way drastically for reaching the customers as it was done earlier. Now building strong emotional relation with customers is more important as compared to merely selling. This digital revolution has changed the entire definition of market selection and targeting creating a boundary less environment.

Now consumers are bombarded with the thousands of messages and advertisement every knock of the hour and in this digital marketing, social media and mobile devices are playing an important role. Now customers need not to go physically to a market in search of alternatives or are not depended on traditional media channel like TV, Newspaper, and Radio etc. Now everything is in their reach and convenience with the new era of digitalisation. Unlike traditional media channels, which offer a one-way experience, social media is based on a two-way interactive experience between the consumer and the business.

Micro, Small and Medium Enterprises (SMEs) in the growth process is considered to be a key engine of economic growth in India. It is a high time for SMEs to cope up with this new technology and ripe the benefits to gain the access of the market and finding the new domains to venture their business. Small and medium-sized firms (SMEs) make substantial contributions to national economies (Poon and Swatman, 1999) and are estimated to account for 80 percent of global economic growth (Jutla, Bodorik & Dhaliqal, 2002).

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Digitalisation has changed the orientation of doing business. This word has not only created buzz but has brought a drastic change in way of doing business, the whole process starting from procurement of raw materials to manufacturing and delivering & consumption has undergone a change. Venkatesh & Kumari (2015) stated in their study that MSME are the fulcrum of Indian economy but facing a stiff competition from multinational companies. They are feeling like a small fish in big ocean where the question comes to the end of their survival. Same way SMEs now finding it difficult to survive in this competitive world, to overcome this situation they have to change their policies and the way to market their products and services to the customer.

Organisations has started a step towards this revolution by looking to the benefits like increase in sales & profitability due to reach increased, increase in market share, creating & building brand awareness with less cost, fast feedback which enables company to incorporate desired changes by customer, helps in analyzing environment & decision making, more satisfied customers along with a more valuable customer insight.

But there are many factors which are acting as a major challenge in the path of adoption of digitalisation. Organisations are not ready to do the investment as the initial cost of setup and reengineering their whole process of doing work is quite high and results are not hundred percent quantifiable. (Carlsson, B. 2004) also found in his study that impact of digitalisation can be seen to some extent on productivity & efficiency but not an easy to measure the long-term benefit. But still digitalisation can increase the scope and scale of production by changing paradigm of supply chain management & integrated marketing communication.

The lack of expertise & knowledgeable, lack of awareness or limited awareness about the different support tools amongst the target beneficiaries, Slow decision making and avert risk work as a biggest hurdle in implementing any of the new technology. Employees are also quiet resistant towards change and are feeling more comfortable with the existing system, probably fear of losing jobs can be a reason for this. To overcome these types of problem companies should impart proper training & effective communication down the channel to gain the confidence of the employees.

Thus, from the above we can say that digitalisation is the need of time and has created a new domain of competitors. Organisations must take up aggressive steps to get withhold of this new technology to compete successfully in this dynamic environment. Objectives of the Study

The objective of the study is to know the answers of the following research questions:

1. To determine the impact of the firm size on the adoption of Digitalisation or not.
2. To know the motives behind the adoption of Digitalisation by the organisations.
3. To know whether there is any significant difference in the perceived benefits and actual benefits from the implementation of digitalisation.
4. To know the various challenges faced by the organisations during the implementation process of Digitalisation.

LITERATURE REVIEW

The following is the literature review on the basis of the objectives of our study:

Srinivasan, Bajaj & Bhanot (2016) researchers revealed that social media has played a prominent role in brand building and creating awareness. Along with this it has also helped in retaining and acquiring new customers explore the new markets, expanding the market share. Researcher has shown a positive relationship between social media usage and customer acquisition, retention and building brand value.

Zamora (2010) found in his study that still the pressure remains with the government to create the right environment for effective Management of Technology among all organisations, MSMEs in particular. The challenge to academe, on the other hand, is to initiate curricular reforms that would address the Management of Technology needs of the Philippines.
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