



## Business Digitalism: Digital Transformation, Strategy, and Customer Engagement in Contemporary Enterprises

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**Abstract,** *This study examines the transformative impact of business digitalization on contemporary enterprises, focusing on how digital technologies reshape organizational structures, cultures, and value creation processes. In the era of the Fourth Industrial Revolution, companies increasingly rely on artificial intelligence, big data, automation, and cloud computing to enhance efficiency and remain competitive. Yet, the transition to digital systems introduces challenges such as cybersecurity risks, data management complexities, and organizational resistance to change. Drawing on the insights of Adam Smith and Marshall McLuhan, this research connects classical economic theories of labor division and competition with modern digital innovation, while also highlighting how digital media alter business models and customer engagement. Using a qualitative research design supported by an extensive literature review, the study identifies key themes including decentralized organizational structures, innovation-driven cultures, enhanced personalization, and the emergence of new digital value streams. The findings indicate that successful digital transformation requires a clear strategic vision, agile leadership, investment in digital talent, and robust cybersecurity measures. Overall, this research emphasizes that while digitalization offers immense opportunities, its benefits can only be fully realized when organizations address its challenges proactively and adapt continuously to technological change.*

**Keywords:** Business Digitalization, Customer Engagement, Digital Transformation, Extensive, Transformative

### 1. INTRODUCTION

In today's rapidly evolving technology landscape, companies are increasingly recognizing the transformative power of digital innovation. Business digitalization, defined as the strategic integration of digital technologies across all aspects of operations, has become a critical imperative for organizational success. This paradigm shift is largely driven by the Fourth Industrial Revolution, a period marked by the convergence of advanced technologies such as artificial intelligence, machine learning, big data, cloud computing, and automation (Schwab, 2016). Klaus Schwab, Founder and Executive Chairman of the World Economic Forum, aptly describes this era as one of unprecedented change and disruption, where businesses that fail to embrace digital transformation risk becoming obsolete in a marketplace dominated by data-driven insights and innovative technologies (Schwab, 2017). Despite the potential benefits, the path to business digitalization is fraught with challenges. Data protection and cybersecurity vulnerabilities pose a constant threat to sensitive information, and ineffective use of data can significantly impede decision making and operational effectiveness (Chen et al., 2014; Ransbotham et al., 2016). In addition, organizations often face significant change

management challenges, particularly in managing the cultural and structural shifts required to fully integrate digital technologies (Westerman et al., 2014).

The digital transformation process requires not only technology investments but also a fundamental change in organizational culture and leadership (Fitzgerald et al., 2014). To successfully address these challenges and realize the full potential of business digitalization, organizations must adopt a strategic approach that covers several key areas. These include: (a) developing a clear digital vision and strategy, which is necessary to align resources, prioritize initiatives, and maintain organizational focus (Kane et al., 2015); (b) breaking down organizational silos and resistance to change by developing a culture of innovation and collaboration (McAfee & Brynjolfsson, 2017); (c) investing in technology and talent, as acquiring the necessary digital tools and skills is vital for successful implementation and continuous adaptation (Bharadwaj et al., 2013); and (d) prioritizing cybersecurity, with robust measures needed to protect sensitive data and mitigate the risks associated with digital operations (Böhme & Schwartz, 2010). Adam Smith's ideas can shed light on how companies in the digital age address business challenges by focusing on improving efficiency and productivity while also taking into account consumer interests and competitive dynamics. Smith argued that the division of labor and competition play a key role in economic growth and wealth creation (Smith, 1776). In the context of digitalization, this is reflected in how companies are moving away from traditional business processes towards automation and the use of data, which increases productivity and reduces costs. Companies are realizing that digital platforms, like the division of labor, can significantly optimize processes and increase the value of the product to the consumer. The shift to digital and social platforms facilitates increased competition and a more detailed understanding of consumer behavior, which allows businesses to better understand audience demands and tailor their offerings. Smith's ideas about the division of labor and competition thus find new application in the digital world, where companies, in the pursuit of efficiency and demand, are forced to constantly adapt their business models and improve production processes to meet rising consumer expectations. The introduction of digital media into business, based on McLuhan's understanding of media theory, has led to significant changes in the way businesses operate and interact with their customers.

Companies that have embraced these changes have experienced increased customer satisfaction, greater efficiency, and greater market reach (Levinson, 1999). For example, the use of targeted advertising on social media platforms has allowed companies to more effectively reach specific demographics, resulting in higher conversion rates and a more

personalized customer experience (Deuze, 2012). The medium whether a social media platform, a mobile app, or an e-commerce site—has changed not only the message but the entire business model, leading to new forms of value creation. However, McLuhan's theories also help to identify potential weaknesses in these solutions. One key weakness is the tendency to ignore the deeper implications of new media technologies. Although businesses may use digital tools effectively, they may not recognize how these tools are fundamentally changing consumer expectations and behavior (Bolter & Grusin, 2000). For example, overreliance on digital communications can lead to a loss of personal touch, potentially alienating customers who value human interaction. In addition, the constant evolution of digital media means that businesses must continually adapt, which can be resource intensive and can lead to strategic misalignments if not carefully managed (Peters, 1999). McLuhan's concept that each new medium brings with it both opportunities and challenges highlights the need for businesses to critically evaluate not only the benefits but also the potential downsides of their digital strategies. The aim of this study is to examine the multifaceted impact of business digitalization on modern enterprises. The focus will be on exploring the theoretical underpinnings of digital transformation and its impact on organizational structures, culture, and value creation processes. By addressing these objectives, this study will contribute to a deeper understanding of the opportunities and challenges associated with business digitalization, offering valuable insights for enterprises seeking to thrive in the digital age.

## **2. LITERATURE REVIEW**

Adam Smith, in his work *The Wealth of Nations*, emphasized the importance of the division of labor as the key to improving productivity and efficiency. In the context of business digitalization, this idea remains relevant, as technology allows for more structured processes and a more optimal division of labor through automation and fast data processing. The efficiencies that digitalization brings reduce production times and costs, similar to the positive effects that Smith alludes to in his traditional economics. In addition, Smith also emphasized the role of competition in stimulating innovation and improving services, which is relevant in the digital age, where business competition occurs worldwide. Digital technology is expanding the competitive landscape, and every company must continue to innovate to remain relevant. Smith will view digitalisation as a tool that accelerates this innovation cycle, creating more dynamic markets and changing consumer behaviour through greater choice and accessibility. Smith developed ideas about economics and labour efficiency to understand the factors that determine a nation's prosperity. The Industrial Revolution during Smith's time was creating

previously unimagined economic complexities, such as increased production and changes in people's consumption patterns. By examining economic structure, Smith wanted to create a framework for stable and sustainable prosperity for society. The idea is based on the notion that society should benefit from innovation and a more equal economic distribution, in line with how digitalisation is delivering increased productivity and change in the global economy today. Smith was born and educated in Scotland. His formal training in moral philosophy influenced his views on economics as part of social ethics. Smith's life amid major changes in Europe – from an agrarian to an industrial society – made him highly sensitive to the impact of economics on social life. Smith viewed the economy as a component closely related to individual well-being.

This pragmatic and analytical view led Smith to create theories that looked at the economy structurally. The presence of division of labor and competition in his thinking is a result of Smith's views on the pursuit of the welfare of society as a whole through efficiency and innovation. Some other thinkers, such as Karl Marx, criticized Smith's concept of the division of labor on the grounds that too much emphasis on efficiency can reduce creativity and alienate workers. Marx argued that excessive division of labor creates a situation in which workers feel disconnected from the products they produce, which is detrimental to overall human well-being. In the context of digitalization, some thinkers argue that too much reliance on technological efficiency can increase social inequality and reduce employment opportunities. This raises concerns about the impact of digitalization, which can create inequalities across sectors. Smith's thinking has clearly not changed due to the limitations of his life, but several modern interpretations adapt his concepts to the conditions of the digital economy. Modern thinkers such as Joseph Schumpeter have developed the idea of innovation as a form of creative destruction, which suggests that technology can destroy old jobs but create new ones, which is in line with Smith's idea of competition. Technological developments also increase the potential for the application of the 'invisible hand', where digital markets operate through algorithms and big data that guide markets to achieve balance, albeit through different mechanisms than traditional markets.

### **3. METHOD**

This study will use a qualitative research approach, supported by a comprehensive literature review, to examine how digitalization impacts business structures, culture and value creation. A qualitative design is ideal for understanding complex phenomena such as the organizational and behavioral changes brought about by digital transformation, which are

difficult to quantify (Creswell, 2013). Using literature as the primary data source allows existing insights to be synthesized and integrated into a coherent analysis. Since digitalization impacts each organization differently, a qualitative approach allows for a more detailed understanding of these diverse impacts. Data will be collected primarily through a literature review, examination of existing qualitative case studies, reports and a theoretical analysis of digitalization in a business context. This literature-based approach provides access to a wide range of previous research and real-world examples, providing a comprehensive understanding of the nuances of digital transformation across sectors. For example, the work of Brynjolfsson and McAfee (2014) and Wessel et al. (2020) documented cases of digitalization across industries, offering insights into both the challenges and benefits companies face. By combining the findings of multiple studies, this review will capture a variety of perspectives and experiences, providing a broad understanding of the impact of digitalization. The analysis will follow a thematic approach (Braun & Clarke, 2006), identifying recurring themes and patterns across the reviewed literature. This method enables the synthesis of qualitative data by categorizing information into themes related to organizational structure, culture, and value creation. For example, studies documenting changes in decision-making processes or employee engagement as a result of digitalization will be analyzed for commonalities, differences, and emerging themes. This thematic analysis will allow for a structured interpretation of the literature results and answer the research question of how digitalization is changing business operations and strategies.

#### **4. RESULTS AND DISCUSSION**

Question to be answered by reading the research articles 1. How does digitalization affect organizational structure, culture, and value creation in companies across industries? Digitalization can change organizational structure, corporate culture, and value creation processes in companies. In an organizational context, it facilitates a shift from rigid hierarchies to more flexible and decentralized models, where employees at different levels have more autonomy to make decisions. The cultures of such companies emphasize innovation, collaboration, and continuous learning, which are important for adapting to a rapidly changing environment. In the area of value creation, digital technologies enable process optimization, cost reduction, and opening up new channels for customer interactions, resulting in new products and services.

This takes different forms across industries, from increased productivity in manufacturing through automation to improved customer experience in services through online

platforms and personalization. 2. What are the main challenges and benefits of digitalization in different organizational contexts, as highlighted in recent literature? Digitalization has a significant impact on organizational processes, and recent literature highlights both its benefits and challenges. Key benefits include increased efficiency and productivity through process automation, improved customer service, and the creation of new business models. Digitalization also facilitates more accurate data collection, enabling organizations to make more informed decisions and improve adaptability in a rapidly changing market. 3. How has the organizational culture adapted to digitalization and what factors influence successful digital transformation in business? The organizational culture has undergone significant changes in the process of digitalization, which is manifested in greater flexibility, openness to innovation and the need for closer interaction between different departments. An important role in this process is played by changes in the management approach, where the emphasis is shifting to data-driven decision-making, acceleration of processes and development of employees' digital skills. Successful digital transformation in business depends on several key factors: a clear digitalization strategy, management readiness for change, and the ability of employees to adapt to new working conditions. The integration of digital technologies into corporate processes and attention to cybersecurity are also very important. 4. How does digitalization affect value creation and customer relationships in modern business? Digitalization is fundamentally changing the process of value creation and interaction with customers in business. Modern technologies allow you to speed up production processes, automate tasks and improve product quality, which ultimately reduces costs and increases profits. Thanks to these tools, companies can collect and analyze large volumes of information about customer needs, which helps to personalize offers and improve customer experience. In turn, this contributes to deeper and longer-term relationships with customers, increasing their loyalty and satisfaction. Digital solutions can also expand interaction channels, making them more convenient and accessible, which allows businesses to quickly respond to changes in consumer preferences. 5. What trends and general strategies emerge from the literature on the impact of digitalization on organizational structures and performance? Digitalization has a significant impact on the organizational structures and performance of companies, which is reflected in several key trends. First, there is an increase in the flexibility and adaptability of organizations, which are increasingly moving to flatter structures with fewer management layers, which helps speed up decision-making. Second, there is an increasing role for cross-functional teams focused on quickly responding to market changes and technological innovations. There is also an increasing use of big data analytics to optimize processes and improve productivity. In general,

a digital transformation strategy includes the introduction of automation, the use of cloud technologies and platforms, which allows companies to adapt faster to new conditions and improve their competitiveness.

### **Discussion:**

The digitalization of business is transforming how organizations operate, compete, and interact with customers. As the Fourth Industrial Revolution unfolds, organizations are increasingly adopting digital technologies to improve operational efficiency, drive innovation, and create new value streams. The integration of technologies such as artificial intelligence, machine learning, and automation reshapes organizational structures, with a shift from hierarchical models to more flexible, decentralized approaches. This transformation fosters a culture of innovation, collaboration, and continuous learning, necessary for adapting to the rapid pace of change.

While digitalization brings numerous benefits, such as enhanced productivity, cost reductions, and personalized customer experiences, it also presents significant challenges. Cybersecurity threats and data privacy concerns remain central to the digitalization process, making it essential for organizations to invest in robust security measures. Furthermore, the integration of digital technologies requires a shift in organizational culture and leadership styles, with an emphasis on data-driven decision-making and a workforce skilled in digital tools.

The theoretical insights from thinkers like Adam Smith and Marshall McLuhan further illuminate the implications of digital transformation. Smith's ideas about the division of labor and competition are mirrored in modern digitalization, where efficiency and the ability to innovate are key drivers of business success. However, challenges also emerge as digitalization may lead to job displacement and social inequalities, echoing concerns raised by critics of technological advancements. McLuhan's media theory underscores the changing nature of communication and customer relationships in the digital era. The ease of interaction on digital platforms can enhance customer satisfaction but may also diminish the personal touch that some consumers still value.

## **5. CONCLUSION**

Business digitalization has a profound impact on organizational structures, cultures, and value creation processes, reshaping how businesses operate and interact with consumers. The adoption of digital technologies leads to more flexible organizational frameworks, fosters a culture of continuous innovation, and opens up new avenues for value creation. However, the

challenges posed by data protection, cybersecurity, and change management cannot be overlooked. For organizations to successfully navigate digital transformation, they must develop a clear strategy, embrace innovation, and cultivate a digitally skilled workforce. The lessons from economic theorists like Adam Smith and Marshall McLuhan highlight the need for businesses to balance efficiency and human factors while adapting to the ever-changing digital landscape. As digitalization continues to evolve, businesses must be prepared to navigate both the opportunities and potential risks it presents in order to thrive in the competitive global marketplace.

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