Article

Research on Negative Factors of Digital Transformation in Enterprise B

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Abstract: Current research on enterprise digital transformation mostly focuses on constructive practices and positive impacts, lacking special discussions on transformation problems and resolution paths, especially insufficient attention to the dilemma of "wanting to transform but daring not to" faced by small and medium-sized manufacturing enterprises and the common factors of failure. This paper takes Company B as a case study, analyzes the internal and external resistance factors it faces during the transformation, such as financing constraints, insufficient strategic resilience, and shortage of information talents, and proposes the conclusion that enterprises need to adhere to strategic resilience, make overall plans, establish an information talent system, and cultivate digital thinking to effectively promote digital transformation.
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1. Introduction

There have been considerable case studies on enterprise digital transformation, but the vast majority focus on the constructive practices of a certain enterprise's digital transformation or the positive impacts brought by digital transformation. For example, digital transformation can promote earnings management through non-wholly owned subsidiaries (Xueman Xiang & Biao Yi, 2025). It can also reduce the cost of equity (Yan Wang & Bing Feng, 2025).There are few special discussions on the major problems encountered by enterprises in digital transformation and how to resolve them. For small and medium-sized manufacturing enterprises, on the one hand, they have realized the importance of digital transformation, and some have begun to try transformation by means of self-research or outsourcing. On the other hand, they have many concerns about whether they should transform and when is the right time to transform. The large-scale investment in digital transformation can be described as a "big gamble" for small and medium-sized enterprises. If the transformation is successful, it is difficult to see economic benefits immediately in the short term; if the transformation fails, it may immediately be on the verge of elimination. The situation of wanting to transform but daring not to is widespread. For small and medium-sized enterprises that have successfully transformed, limited by various factors such as industry, scale, and regional resources, their practices may not be fully referable. Therefore, compared with learning from the advantageous practices of successful enterprises, discussing the common factors that may lead to failure is more of practical significance for this type of enterprise.

2. Materials and Methods

This paper mainly adopts the case study method as the basic method of writing. The author once held relevant job positions in the company involved in the case before writing this paper, during which rich practical experience was accumulated. The relevant contents presented in the article all come from the frequent exchanges and interactions between the author and colleagues,

superiors, and customers in daily work, and these information are all first-hand materials, which have high authenticity and reliability. Through this in-depth case study, the author can comprehensively analyze the problem from multiple perspectives, providing readers with more in-depth and detailed analysis and insights. The relevant names in the article have been kept confidential.

3. Discussion

3.1 Brief Introduction to Enterprise Operation

Company B is a private non-listed convenience food manufacturing company, with 11 production and marketing integrated factories nationwide and about 6,000 employees in the whole group, which is a typical medium-sized traditional manufacturing company. Together with Company K, Company J, and Company T, it occupies 85% of the chinese convenience food market share. In order to expand its competitive advantages, Company B uses self-media to create marketing events to improve its brand awareness externally, and insists on taking digital transformation as the foundation to drive its second entrepreneurship internally. The table1 shows the informatization process of Company B.

Table 1. Informatization process of Company B.

Time	Digital Project	Content
2005	Accounting Computerization	Company B adopted the X ERP system to realize accounting computerization, ending the history of manual accounting in the company. However, due to the continuous expansion of the company's scale, the labor cost savings brought by accounting computerization are difficult to measure.
2015	Financial Shared Service Center	Company B learned from the experience of leading enterprises at that time and began to invest in building a financial shared service center. Due to the insufficient understanding of the management at that time, the financial shared service center of Company B stopped at the scale of "small shared". "Small shared" means that the shared center only provides two functions: expense review and fund allocation. The human resources come from the transfer of factories. In other words, the shared center only centralizes the original cashiers and expense accountants to work together, and there is no improvement in financial work efficiency.
2021	Omnidirectional Digital Transformation	Company B put forward the strategic goal of "enterprise transformation, digital support, financial priority", and signed a strategic cooperation agreement with Company K2 Software. It adopted the full set of existing solutions of Company K and adapted them according to the company's special business. A transformation pattern was formed with the ERP system as the main body and other business systems as the wings to continuously supplement.

3.2 External Negative Factors

3.2.1 Financing Constraints

As a traditional manufacturing enterprise, before 2020, Company B had a long-term debt ratio of more than 75%, and its debt repayment ability was poor. Most of the debt types were short-term bank loans. After putting forward the strategic goal of comprehensive digital transformation, Company B tried to apply for special loans, but all were rejected. The reasons from the bank are as follows:

①For high-debt enterprises to carry out digital transformation, the amount of funds used is large, and the possibility of transformation failure is high. In the case that Company B has already defaulted on the payment to many suppliers for half a year, Company B has no spare capacity to make other investments.

②Although the government encourages the digital transformation and upgrading of traditional manufacturing industries, it is blind for Company B to invest in its own poor financial situation. Even if Company B successfully carries out digital transformation and its digital level can be comparable to that of leading enterprises in the industry, it cannot immediately improve the enterprise's operation situation. The investment goal of creditors is mainly to obtain short-term benefits. The current goal of Company B should be to increase innovation efforts, launch strategic single products, and occupy the market to obtain stable income.

③If Company B insists on implementing the comprehensive digital strategy, the bank will re-conduct due diligence and consider the possibility of early loan recovery.

According to the traditional view, the government's economic policies will have a guiding role in the development of the financial market. (Rajan and Zingales, 1998) According to the logic of this view, the government proposes to vigorously develop the digital economy and provide certain subsidies to digital transformation enterprises, and financial institutions should actively respond to the policy and provide credit assistance. However, the actual situation of Company B is not the case. The introduction of economic policies will bring strong externalities, and enterprises will have blind investment behavior. In order to avoid expected losses, financial institutions will be more cautious and increase the financing constraints on enterprises.

3.3 Internal Negative Factors

3.3.1 Insufficient Digital Strategic Resilience and Lack of Forward-looking Design

Before formulating a strategy, any enterprise should refine the development goals and implementation paths for the next three to five years in dimensions. In 2021, Company B announced that comprehensive digital transformation would be the company's strategy, but in the implementation, it did not always take the digital strategy as the focus of work. Specifically, first, there is no clear strategic vision. Enterprises have many goals for digitization, such as improving operation efficiency, reducing operation costs, and improving management precision, but the primary and secondary should be distinguished in development, and the main goal should be anchored. Second, the lack of forward-looking design leads to many difficulties in the specific construction process. Company B adopted the mature full set of digital solutions of Company K. However, due to the particularity of its own business, the situation that the system is not compatible with the business appears. After the new system is launched, a transition period for the simultaneous operation of the old and new systems should generally be set. However, due to the consideration of labor costs, Company B migrated the data of the old system to the new system without setting a transition period, resulting in poor connection before and after the

business. Third, the strategic path is not refined. Company B has not split the overall strategy of the enterprise into specific execution stages, and has not comprehensively considered various factors involved, such as digital execution personnel and financial support.

3.3.2 Insufficient Support of Information Talents and Lack of Digital Thinking

The common problem of small and medium-sized traditional manufacturing enterprises in the face of the digital wave is the lack of information talents. Due to the particularity of manufacturing factories, the technical talents they value are more inclined to traditional special types of work, such as electricians and machine repairmen. Information technology is only regarded as a logistics department, and its more responsibilities are to maintain the company's website, mail system, stable network transmission, and repair electronic equipment. However, comprehensive digital transformation has higher requirements for information personnel. Information personnel should have the ability to design, install, and debug digital systems, and secondly, master the use and maintenance of various digital tools. Therefore, medium-sized enterprises often face the problem of whether to carry out self-research or outsource in the face of digital transformation. Self-research requires extremely high human resource investment, and outsourcing can solve the problem of insufficient internal talents, but the long-term deployment of personnel by the solution company is likely to leak the company's core data. In the final analysis, it is the shortage of human resources that cannot support the implementation of the strategy. For the senior management team, quite a number of senior executives of Company B were promoted from the factory. They have sufficient understanding of the production process and process, but due to factors such as education, it is difficult for them to have a deep understanding in the face of digital transformation, and their thinking and cognition are still in the information stage.

Informatization more emphasizes technical support. When the business department puts forward requirements, the information personnel give systematic solutions according to the specific business model. The essence of informatization is still driven by business. Take the OA system as an example. When office personnel find that the process of signing documents offline is tedious, they put forward the concept of online approval, but its essence is only the change of tools. With the increasing degree of informatization, the problem of "information silos" begins to appear, and the data-driven mode is gradually widely recognized. However, it is precisely because of the long-term blocky informatization development that the senior management team lacks digital thinking, cannot provide effective top-level design in the enterprise transformation, and is difficult to promote the implementation of the strategic goal. The grassroots personnel lack information technology and are also difficult to provide technical support in the process.

4. Conclusions

4.1 Adhere to Strategic Resilience and Make Holistic Plans

After small and medium-sized enterprises decide to start digital transformation, they need to adhere to strategic resilience from beginning to end. Digital transformation is a long process. During this period, there may be situations such as resource mismatch and results not meeting expectations, but enterprises should always take transformation as the focus of their work. A reliable way to adhere to the digital strategy is to make holistic plans in advance. The development of the digital economy will give birth to many new technologies. Whenever there is a breakthrough in technology, there is the possibility of adapting to the development of enterprises. Therefore, digitization will continue, that is, only before and during the event, but not after.

Beforehand, actively carry out digital readiness assessment. Small and medium-sized manufacturing enterprises neither have the digital gene of digital native enterprises nor the sufficient resource investment of large enterprises. The traditional maturity model has certain disadvantages. Chinese scholar Hu Haibo put forward the readiness model for small and medium-sized enterprises as shown in the table2.Therefore, when conducting digital transformation, small and medium-sized enterprises should conduct accurate evaluations based on appropriate models.

Table 2. Digital Transformation Readiness Model

Dimension	Index Basis
Human Resource Preparation	Consider introducing digital talents in advance and establishing a digital transformation talent training system.
Financial Preparation	Calculate the cost of digital transformation in advance and seek the possibility of external financing.
Technical Preparation	Contact external technical service providers in advance to customize personalized digital technology solutions, or carry out internal demand surveys and purposefully plan the digital technologies to be introduced according to the needs.
Cognitive Preparation	Formulate digital strategies and visions in advance, hold digital transformation mobilization meetings, and promote the formation of an overall atmosphere of digital transformation within the enterprise.
Organizational Preparation	Sort out the business process modules in advance, optimize process management, and establish personnel and teams specifically responsible for digital transformation business.
External Environment Preparation	Small and medium-sized manufacturing enterprises need to pay close attention to the policy changes of digital transformation and the research and development of industry digital transformation applicable tools, etc., and establish good business cooperation relations with third-party digital service providers in advance to do a good job in the integration between the business of small and medium-sized manufacturing enterprises and the technology of third-party digital service providers.

In the event, continuously adhere to the method of pilot, evaluation, optimization, and promotion. Use existing resources to carry out pilots in areas where breakthroughs are easy, such as the financial field. In the implementation process, effectively evaluate the initial achievements and pay attention to long-term benefits. In the business implementation process, continuously optimize and adjust in a timely manner according to the new policies and technologies that appear. When the time is ripe, promote the pilot experience to the whole.

4.2 Establish an Information Talent System and Cultivate Digital Thinking

In the digital transformation of an enterprise, the digital thinking of senior executives may determine the success or failure of the transformation. The CEO should build a digital leadership organization system and select the core persons in charge of each project to coordinate resources so as to promote the implementation of the digital strategy.Chinese scholar Wang Xianglu's empirical research proves that senior executives with an information technology background will promote the enterprise's digital transformation strategy. When forming or introducing a senior management team, the information technology background should be considered as an important basis for employment. For candidates without a suitable information background, enterprises

should strengthen digital skill training so that senior executives can form correct cognitions and thus guide digital transformation practices.

As the executors of the digital transformation strategy, grassroots personnel should also have basic information skills. Limited by their own resource shortages, small and medium-sized enterprises generally choose to rely on software suppliers to purchase general information systems. The software supplier will dispatch information technology personnel to the company to provide technical support. In this process, a own talent team should be formed to install and debug together with the software supplier to make it adapt to the company's business.

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