

Unfreezing and Refreezing the Digital Mindset of Businesses

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Abstract:- Innovative capabilities are critical to the success of any business opting to participate in the digital economy. However, to ensure that these are accessible, companies must understand why it is needed. While organizations themselves confuse their role in the digital economy. Organizations must change the way they approach digital innovativeness and their level of participation in the digital ecosystem. Thus, identifying critical change management processes to redefine the digital mindset is essential to the transition and sustainability of innovative digital actions. This digital mindset must change internally and enable organizations to grow within market industries and, by extension, the digital economy. While government and its regulatory frameworks have respective roles in making the digital environment conducive, businesses must learn to use these environmental elements to realize sustainable, innovative performance.

Keywords:- Change, Digital Economy, Digital Mindset, Digital Transformation, Innovative Capabilities, Strategy, Sustainable.

I. INTRODUCTION

Success materializes when business strategy reflects a thorough understanding of where they are, where they want to be, what factors influence their decisions, and how they intend to get there. The role of stakeholders in the bid for digital transformation in a digital economy is heavily debated throughout academia and for a good reason. There is often the misconception that government regulation and policy frameworks drive technological innovation, but as studies evolve, this view comes under doubt. Moreover, participants lack true clarity of their role in the progression of new and emerging technologies in creating sustainable digital ecosystems that are utilitarian by design. The critical divide is governments who are enablers and the drivers who are actors in the digital transformation process. Once the roles are clearly understood, the requisite parties can progress towards charting plans to embrace the digital revolution openly.

In parallel studies in 2022 by the author on the implications of government action on adopting new and emerging technologies by businesses in Jamaica, the author opens gaps and builds on previous research. The research explains the correlation and significance of government regulative actions on the business environment. It also provides evidence that government regulations act as an enabling force to create a climate conducive to adopting and integrating new technology but not drive its integration. The study also provides

background information alluding to the foundational impact that regulations have on the Socio-Economic Readiness (SER) of nations to embrace the digital economy [7]. The same article highlights that creating embracive regulations is positively correlated with the local business development of technological practices but with deeper underlying conditions of applicability, such as business development activities.

There is still a lag in adoption and transformation capabilities among firms despite discourse on the subject due to understanding and lack of building on relevant capabilities. However, this problem is significant because the lapse in digital transformation creates a divide and degradation of the national economy when faced with global competition, technology, and knowledge transference. If actors do not clearly understand their role, the gap will widen.

As such critical actors, businesses must undergo continuous mindset adjustments to adopt, integrate, and manage digital transformation effectively. Essential to the development of the digital economy is the activities of the actors, in this case, businesses, institutions, and consumers, notwithstanding having access to technology but the application and management of said technology. To effectively grow the applicability of new and emerging technologies, businesses must unlearn previous connotations associated with the unknown and unwillingness to embrace the digital environment through integration, application, and innovation capabilities. Hence to understand their role in driving the digital economy, businesses must rethink the opposing notions of technology and grasp the disruptive benefits and how to build capabilities that generate sustainable technological, innovative, and economic performance. To effectively manage this approach to reconstituting a digital mindset in businesses, it is necessary to review an applicable change management theory.

II. KURT LEWIN'S THEORY THROUGH THE LENS OF INNOVATION

Throughout academic history, research brings to the forefront a variety of change management theories that drive change and the adoption of new ideas, visions, and objectives. These models are often replicable across industries and valuable in their unique way. Some of these theories include the Lewin's Change Management Theory, McKinsey 7-Model, the Nudge Theory, the ADKAR Change Management Model, the Kubler-Ross Change Curve, the Bridges' Transition Model, the Satir Change Model, Kotter's 8-Step Theory, Mauerer 3 Levels of Resistance Model and lastly the Deming Cycle (Plan, Do, Check, Act, PDCA). Notwithstanding this variety of

models, one framework stands firmly against the concept of building innovative thinking.

Kurt Lewin's Change Management Theory is a strong proponent for applying innovative growth in organizations through its three-phase approach, using his unfreeze, change and refreeze methodology. Lewin's theory is one such model that academics argue is the cornerstone model of change replicable in countless scenarios. The theory explains that change can be complicated, and achieving equilibrium or stability is a multifaceted approach (Fig. 1, illustrates the basic framework of Lewin's theory). Within the unfreezing stage, the organization identifies human behavior as a mindset. At this point, Lewin calls it the equilibrium state where organizations have to agitate the status quo to allow the participants to be open to change. At this juncture, the organization goes through a company-wide readiness drive to foster the realization of moving to a new state, in this case, an innovative state. Additionally, in this phase organization must solicit all available resources to motivate the business to accept new ways of working through communication and involvement.

The second phase of Lewin's Theory is the change phase, where the transition or implementation occurs. This stage involves generalized acceptance of the new paradigm. Here

there is significant information flow that moves along the different levels within the organization utilizing expertise and sophisticated integrations. Additionally, leadership becomes critical in this phase, as influence is necessary to achieve the overall goal and vision [9, 16]. Through its application, leaders should find themselves empowering, endorsing, and promoting actions to inspire innovative change frequently. This stage is equally challenging to manage due to consequential fear of adoption [9].

Lastly, the refreeze stage is when the organization moves from a transitional state to a stable equilibrium [16]. At this point, the organization internalizes the new capabilities and accepts them as the way forward through positive reinforcements, abilities, infrastructure, and supportive corporate policies, that allow companies to solidify the change [9]. One of the key advantages of this theory is that it is quick to implement and poses limited risk to organizational disruption. Like any model, however, there are drawbacks it can lead to discomfort, and refreezing is often the longest stage; despite this is where true sustainability and stability occur. However, despite the limitations of Lewin's Change Management Theory, it is valuable to organizations pursuing innovative change because it is simplistic and encourages a long-term growth mindset.



Fig. 1. The Lewin's Change Management Theory. Source: Adopted from [15]

A review of academic literature and reports on developing a digital mindset proves that anything is possible through a structured approach to change. The theories suggest that through application and building a digital mindset (unfreezing), closing the digital disconnect within the organization (change), and developing lasting innovative capabilities (refreeze), organizations can drive the growth of innovative development locally, among competitors, and across industries [9]. Coincidentally, the review provides further possibilities for

more profound analysis that could shed more light on creating a sustainable digital mindset within businesses and, by extension, the digital economy.

III. BUILDING A DIGITAL MINDSET (UNFREEZING)

Throughout the digital revolution, academics business executives try to unmask the relevant areas of creating a digital mindset to drive digital transformation. Many believe digital transformation is transitioning towards a digital enterprise that continuously evolves all areas of its business from products, services, interaction, and operations, throughout research reference to Daniel Newman and his ideologies of the six pillars of digital transformation. In comparison to Lewin's theory of change, it is evident that the six pillar framework fits precisely in the unfreeze stage of evolution [10]. It also provides valuable insight on the approach to re-educate, engage, and motivate change within organizations on a large scale. Newman (2018) insights that people, leadership, experience, culture, change, and innovation form the basis for creating a digital transformation mindset [10] (see Fig. 2).

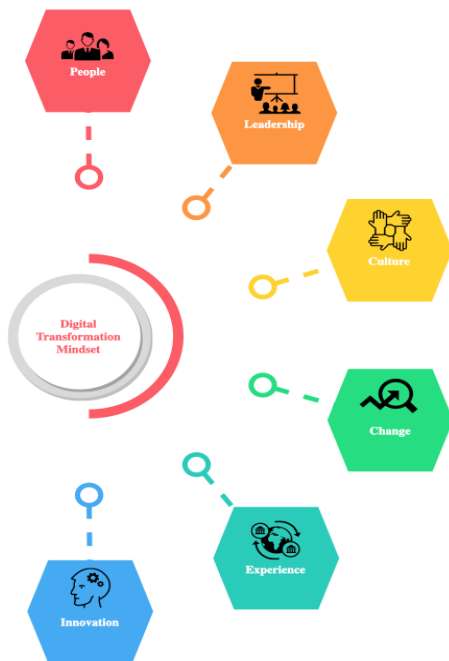


Fig. 2. The 6 Pillars of Digital Transformation. Source: Adapted from [10]

The pillar of people refers to the development of people by creating the right talents, focus, and motivation. At this critical point, people are vital to the success of driving change and must spend time nurturing the ideas and outcomes.

IV. CLOSING THE DIGITAL DISCONNECT (CHANGE)

Similar to Lewin's theory's change/transition stage is the concept of bridging the digital disconnect. At this juncture, the digital disconnect occurs when front-end customer experiences do not connect to the back-end systems [13]. This view is similar to Furr, N., Shipilov, A., Rouillard, D., and Hemon-Laurens (2022), where they highlight a similar theory in four pillars of successful digital transformation of businesses [8]. Combining these two perspectives provides a suitable change

phase for illustrating how organizations can close the digital disconnection gap to transition into a sustainable capability. Fig. 3, provides a detailed illustration of the collated view of closing the digital connection gap.

To transition to digital transformation, an organization must unify and uplift the technology practices to support the delivery and execution experience of both internal and external customers through the extent of modernizing the Information Technology (IT) structure. This step often provides flexibility by applying tools to improve communication platforms within the organization. Once organizations are clear on keeping the experiences connected, achieving the necessary capabilities becomes the objective. Through this unification comes the satisfaction of people's digital expectations.

Secondly, the transition of digital operations ensures the connection exists from the end-end, instead of just focusing on the digital end to the consumer. Thus, by digitalizing the operations, the business optimizes and simplifies the existing processes that feed into the company's final output experience. Thirdly, digital marketing and delivering at scale and speed. The collated theories here speak to the concept of digitally building awareness, route to market, and interaction with consumers. Thus, using innovative tools and technology to seize market opportunities, satisfy demands at innovative speeds, and provide said offerings at scale [13]. Lastly, creating new ventures and empowering digital innovation. In this pillar, an organization seeks growth opportunities through new models and product offerings by capitalizing on innovative processes and leaders. Critical to note is the benefit of collaborating within the digital ecosystem to create new growth opportunities.



Fig. 3. Pillars for Closing the Digital Disconnect. Source: Author's illustration of the collated view of the pillars from [8,10]

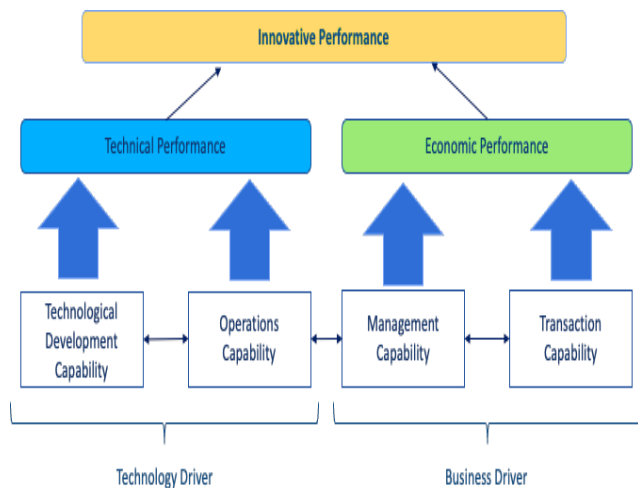


Fig. 4. Innovative Capability Framework.

Source: Adapted from [2]

According to Thomas and Rosewell (2022), for this to be successful, the elements of the prior stage must be in sync; these include democratizing change, empowering cross-functional collaboration, and creating a digital culture [13].

V. DEVELOPING INNOVATIVE CAPABILITIES (REFREEZE)

Achieving the refreeze position in Lewin's Change Management Theory, organizations need to develop innovative capabilities that will cement the actions of the previous stages. Notably, Alves, A. C., Barbieux, D., Reichert, F. M., Tello-Gamarra, J., and Zawislak, P. A (2016) argue that organizations must go beyond technology and innovation to create sustainable business models that include a combination of capabilities and assets built internally. This foundation leads to the criticality of technological and innovative capabilities beyond research and development to coordinate those research into other business areas to create sustainable and dynamic capabilities that highlight strategy. Concurrently, [2] highlight that innovative capabilities explain enterprise-level competitive advantage. Supporting this ideology, [2] also explain that a firm's business model encompasses four main capabilities (see Fig. 4), technological development, operations, management, and transaction.

These capabilities fall into two main categories: technology and business drivers. The technological drivers are those developmental and operational capabilities routed in knowledge. Organizations must consistently absorb new knowledge and apply it to processes and outputs through developmental capabilities. At the minimum, this requires routines that promote change, create, and recreate activities. Concurrently, operation capabilities are necessary to support the development, and technical capabilities must follow with low costs, high quality, responsiveness, and flexibility.

However, business drivers ensure the right things get done through management capabilities. These capabilities allow for better decision-making and problem-solving skills relating to system integrations, human resources, accounts, and

finance. However, through transaction capabilities, the organization must present its digitally enhanced developments, operations, and management to the market to generate economic value. Hence where freezing capabilities become relevant and necessary, all elements leading up to developing the relevant capabilities of innovation solidify the change process and allow for consistent and replicable actions. Authors like Aas and Breunig (2017) support these concepts explaining that innovative capabilities correlate positively with organizations' future performance [1].

The authors explain that as organizations utilize capabilities to develop innovation continuously, they become better at reproducing innovative success [13]. Sudolska and Lapinska (2020) also support using innovative capabilities to solidify the change process [12]. They cite research that shows that the absorptive capacity of a firm's culture will enhance its creative ability. If organizations transition to sustainability in innovative capabilities, employee competencies, creativity, problem-solving skills, and disposition will lead to consistent development and significant innovative possibilities [8].

VI. CONCLUSION

In concluding, the ideas in this scientific essay show that Lewin's Change Management Theory provides valuable insights into the notion of recalibrating a business' digital mindset. Organizations can develop a digital mindset that translates to innovative capabilities through change and renewed thinking. Notwithstanding the challenges that change presents, organizations can learn the skills necessary to engage digital transformation through focus and strategic application of appropriate change management processes.

Nevertheless, understanding that organizations are actors and drivers of the digital economy is critical in acknowledging the functions essential to engage change. By developing a digital mindset, organizations can establish connections and build sustainable, innovative capabilities inside a technologically conducive business environment. Although digital transformation is still new, and much is left to understand, there are gaps in developing a digital mindset and the requisite capabilities to enlist in true digital transformation and the development of the digital economy. Thus more research and funding must go into improving the learning curve.

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