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## THE EFFECTIVENESS OF DIGITAL TRANSFORMATION ON ORGANIZATIONAL PERFORMANCE: A LITERATURE REVIEW

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### Abstract:

Digital transformation has become a prevalent strategy for organizations worldwide, with the primary aim of boosting operational efficiency and overall performance. This article discusses the effectiveness of digital transformation initiatives on organizational performance. Drawing on a comprehensive review of literature from 2019 to 2023, this study examines various dimensions of digital transformation and its impact on performance metrics. The final included result is 11 articles, which will be adopted in this study. From the previous results, most research applied a quantitative approach which is the most popular research method in the studies. By analyzing both empirical studies and theoretical frameworks, this study explores the various dimensions of digital transformation and how they influence performance metrics. The findings indicate that effective implementation of digital transformation strategies can result in enhancements in staff productivity, job satisfaction, and the overall organizational performance. This paper contributes to the existing literature by synthesizing current research findings and offering recommendations for practitioners aiming to optimize the impact of digital transformation on organizational performance.

### Keywords:

Digital Transformation, Performance, Organizations, Review

## Introduction

Over the years, numerous studies have investigated the relationship between performance and digital transformation. Recently, digital transformation is becoming a major topic for academic and organization across the world (Verina & Titko, 2019) especially after Covid 19 pandemic. The COVID-19 pandemic made 2020 a difficult year for financial institution (Do, Pham, Thalassinou, & Le, 2022) and has caused significant disruptions in both public and private sectors worldwide (Nachit & Belhacen, 2020). According to Chou (2019), companies that have not achieved "digital readiness" would not be able to adapt to the new digital era. They could encounter numerous obstacles preventing them from benefiting from the transformation.

The outbreak underscored the vital importance of digitalization and the integration of online and offline channels for survival (Zhang & Chen, 2023). In the aftermath of COVID-19, businesses are undergoing significant changes in their strategies (Kodama, 2020). They are compelled to reassess their business models extensively to minimize the impact of the crisis and maintain satisfactory services for their customers.

Digital transformation, characterized by the integration of digital technologies into all aspects of business operations, has become a strategic imperative for organizations worldwide. In today's rapidly evolving technological landscape, organizations are increasingly turning to digital transformation initiatives to enhance operational efficiency, improve customer experiences, and maintain competitiveness in the digital economy (Westerman, Bonnet & McAfee, 2019). Central to the success of these initiatives is the impact on staff performance, as employees play a crucial role in driving organizational change and achieving strategic objectives.

The swift progress of modern digital technologies like smart tech, AI, automation, robotics, cloud computing, and IoT is fundamentally altering the landscape of work. This transformation raises significant concerns about the future of both jobs and organizations. While the potential benefits of digital transformation on performance are widely acknowledged, empirical evidence on its effectiveness remains mixed. Some studies have reported positive outcomes, such as improvements in productivity, job satisfaction, and employee engagement, resulting from the adoption of digital technologies (Serrat, 2021). Despite these divergent findings, the significance of understanding the relationship between digital transformation and performance cannot be overstated, given its implications for organizational success and competitiveness.

Organizations that embrace digital transformation and the Industry 4.0 concept can reap numerous benefits, including enhanced efficiency and productivity, improved product and service quality, heightened customer satisfaction, increased innovation and creativity, and greater competitiveness. However, digital transformation also introduces several challenges, such as high investment costs, the necessity for new skills and competencies among employees, and risks related to security and data privacy (Suhari et al., 2024).

Human resources play a pivotal role in driving digital transformation, crucial for securing enduring competitive advantages. Furthermore, the integration of digital technologies not only boosts employee productivity but also revolutionizes business workflows, ultimately elevating organizational performance. Therefore, this paper was carried out to study the effectiveness of digital transformation on organizational performance.

In view of this, further investigation on previous studies of performance will take place, systematically beginning with the next section, which talks about the literature review of variables followed by the research methodology. In addition, the result and discussion will be presented and the conclusion of these findings will be discussed at the end of this paper.

To further investigate the issue of performance, a literature review (LR) was conducted for two objectives;

i) To identify the number of studies of the relationship between digital transformation and performance from 2019 to 2023;

ii) To examine the strength of the relationship between digital transformation and performance.

### **Scope of study**

This study covers the issue of the effectiveness of digital transformation and its dimension on organizational performance. The organizational performance analysed are from different countries but with the main goal to achieve the performance.

### **Literature Review**

#### ***Digital Transformation***

Digital transformation has emerged as a prominent area of study in organizational research, with scholars exploring its implications for performance across various industries. This section presents a comprehensive review of literature from 2019 to 2024, focusing on studies that examine the effectiveness of digital transformation on performance metrics. The results of the analysis show that research on the influence of digital transformation on organizational performance includes various definitions of digital transformation. According to Vial (2019), digital transformation is a process that seeks to enhance an entity by implementing significant changes to its characteristics using a mix of information, computing, communication, and connection technologies.

To adapt to shifts in market behaviour, numerous enterprises acknowledge the necessity of changing their business models. This is crucial for gaining a sustainable competitive edge and keeping up with the digital evolution in their respective industries. Furthermore, digital transformation is a prevalent trend within organizations, wherein innovative digital technologies fundamentally reshape their business models (Zhang & Chen, 2023). Selecting the appropriate domain for digital transformation is crucial for determining the overall effectiveness and success of the transformation (Suhari et al., 2024).

A key theme in the literature is the impact of digital transformation on productivity. Several studies have found positive associations between digitalization efforts and productivity gains within organizations (Serrat, 2021). Similarly, Serrat (2021) analyzed survey data from a sample of organizations and found a positive correlation between the extent of digitalization and productivity levels. Digital transformation initiatives that prioritize employee involvement, communication, and empowerment are more likely to foster a culture of engagement (Serrat, 2021). Despite the potential benefits of digital transformation on performance, organizations face numerous challenges in implementing and sustaining digitalization efforts. Organizations must invest in training and development programs to equip employees with the digital skills and competencies needed to navigate the digital landscape successfully (Serrat, 2021).

In summary, the literature on the effectiveness of digital transformation on performance highlights both opportunities and challenges associated with digitalization efforts. While digital transformation has the potential to enhance productivity, job satisfaction, and employee engagement, its success depends on factors such as organizational culture, leadership support, and the ability to address resistance to change and skill gaps. By understanding these dynamics and implementing effective strategies, organizations can maximize the benefits of digital transformation on staff performance and achieve sustainable competitive advantage in the digital age.

Continuing with the literature review, additional insights can be gleaned by exploring the role of organizational culture in shaping the effectiveness of digital transformation on staff performance. Organizational culture encompasses shared values, beliefs, and norms that influence employee behavior, decision-making, and performance (Serrat, 2021). In such cultures, employees are encouraged to experiment with new technologies, embrace change, and contribute ideas for improvement (Serrat, 2021). Therefore, aligning organizational culture with the goals and objectives of digital transformation is essential for maximizing its impact on organizational performance.

Furthermore, technological infrastructure and capabilities are fundamental enablers of digital transformation and can significantly impact performance outcomes. This includes implementing scalable and integrated systems, leveraging emerging technologies such as artificial intelligence and cloud computing, and ensuring data security and privacy (Serrat, 2021).

In summary, the literature review underscores the multifaceted nature of digital transformation and its implications for staff performance within organizations. By examining the interplay between organizational culture, leadership, technological infrastructure, and staff performance outcomes, this research provides valuable insights into the mechanisms through which digital transformation influences organizational effectiveness. By addressing challenges and leveraging opportunities associated with digital transformation, organizations can optimize organizational performance and achieve sustainable competitive advantage in the digital age.

### ***Organizational Performance***

Organizational performance is the ability of an organization to boost output through cross-departmental collaboration to achieve specific goals. Evaluating this performance is essential for transforming project management data into valuable insights (Takriti et al., 2023).

In a research by Do et al. (2022), the results indicated that digital transformation positively affects the performance of Vietnamese commercial banks. In addition, they find that the larger the bank, the greater the positive impact of digital transformation on its performance. Thus, the efficiency of digital transformation is influenced by the scale of the bank. In support for the study, Pramanik et al. (2019) concluded that the cause of these results may be due to the roles of digital transformation in the performance of large-size companies.

In another study by Takriti et.al (2023), they found that The Kirkuk Electricity Distribution Branch has also begun its digital transformation to improve organizational performance. The transformation offers significant opportunities to reduce expenses, save time and effort, eliminate corruption, and lower costs. It also aims to establish a digital economy, enhancing productivity and creating an attractive business environment for investment.

According to Pierre (2023), Nigeria as one of Africa's largest economies, faces economic challenges impacting organizational performance. Digitization can enhance organizational performance by improving operational excellence and quality (Bharadwaj, 2013) increasing customer satisfaction and loyalty (Westerman, 2014) and fostering networks of digital platforms, partners, and customers that share data and resources. This collective intelligence and capability within a digital ecosystem can enhance resilience, adaptability, and co-creation, ultimately improving organizational performance (Yoo, 2012).

Hence, the purpose of implementing these strategies is to provide management with valuable insights on how organizations can thrive in digital transformation and sustain long-term performance in an ever-evolving digital economy (Magnusson, Elliot & Hagberg, 2022).

## **Research and Methodology**

### ***Materials and Methods***

The data analysis method is a process of deriving meaning from a set of data to incorporate into the discussion of research findings. This process is used to understand, analyze, and uncover the phenomena of events, ultimately finding answers to research questions. The focal point of this literature review is to unveil the relationship between digital transformation and measures for enhancing organizational performance. In this study, different research papers or articles have been classified and the results indicate areas for a potential angle of recommendation. LR was conducted to answer the following research questions; What are the types of digital transformation that have been studied in performance researches and how strong the relationship between digital transformation and performance?

This research is qualitative in nature, as it relies on documents such as previous articles that discuss past concepts, opinions, and experiences. Data analysis methods in qualitative research differ from those used in quantitative research. In quantitative research, data analysis relies on statistical testing tools.

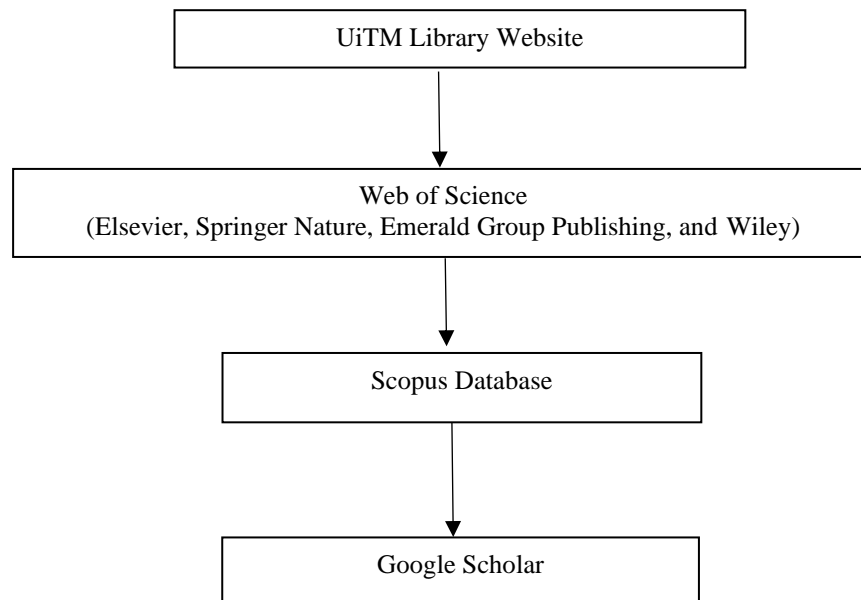
Hence, these sources provide in-depth insights that can be used to generate new research ideas. The method used for this literature review involved searching the Web of Science (WOS) database, accessible through UiTM's Library Website. The search covered publishers including Elsevier, Springer Nature, Emerald Group Publishing, and Wiley. Additionally, papers were searched in the Scopus database, also subscribed by UiTM, and Google Scholar to identify relevant published journals. The process of gathering all articles took approximately a month. Exclusion criteria were applied to ensure that only contextually rich and relevant texts were included. The selected articles were further analyzed using descriptive and content analysis methods to identify factors contributing to value creation. Textual data was condensed, categorized based on identified themes, and analyzed for frequency.

### ***Selection Of Papers***

The utilization of literature review aimed to examine the trajectory of research on the organizational performance in the context of digital transformation. The initial step involved identifying a dependent variable, namely organizational performance. To identify related studies, automatic searches were performed using the search engines of electronic databases such as Science Direct, Web of Science and Emerald. The subsequent phase entailed refining the search scope to encompass literature published over a span of five years, commencing from



2019 until 2023. The following keywords were included in the searches such as “digital transformation”, “performance” and “organizational performance”.



**Figure 1: Flowchart of Search Process**

Source: Author's own

## Results

In this section, the literature review presents the data collected according to i) the overview of the digital transformation, performance articles, and journals publications between years 2019 to 2023; and ii) the relationship between digital transformation and organizational performance.

### *Overview Of Studies On Digital Transformation And Organizational Performance*

The topic of digital transformation has garnered substantial attention from researchers, with the volume of studies steadily increasing over the years. There was a notable surge from 2020 to 2023 and 2023 witnessed the highest number of research endeavors in this area. Despite this surge in research activity, there appears to be a relative scarcity of studies examining the relationship between digital transformation and organizational performance.

**Table 1: Summaries Of Previous Studies On Digital Transformation And Performance**

Author	IV	DV	Findings	Results
Jimoh & Adenekan (2024)	Digital transformation	Adaptive performance	transformational capabilities and digital capabilities have significant relative and combined influence on adaptive performance of	Significant

			administrative staff of federal tertiary institutions in South-west, Nigeria.	
Shwede, Aburayya & Mansour (2023)	Digital transformation	Employee performance	Employee performance can be greatly impacted by organizational digital transformation	Significant
Guzman-Ortiz, et al (2020)	Digital transformation (customer service experience, collaborator capabilities, process, business model)	Individual Job Performance (Task performance, Contextual performance, Counterproductive performance)	customer service experience, the collaborator's capabilities and processes based on digital transformation contribute to the performance and contextual performance of the workers of the insurance companies in Peru.	Significant
Do et al. (2022)	Digital transformation	Performance	Digital transformation has a positive impact on the performance of Vietnamese commercial banks.	Significant
Abeygunasekara & Rodrigo (2023)	Digital transformation	Performance	there was a significant positive impact of digital transformation on the performance of SMEs.	Significant
Takriti, Nassreddine, Younis & ElHassan (2023)	Digital transformation (infrastructure, skills, environment, digital technology)	Operational performance	There is a significant impact of digital transformation with its dimension on operational performance	Significant
Nasyiroh, Sunarjo & Chalimah (2023)	Digital transformation	Organizational performance	digital transformation has a significant effect on organizational performance	Significant
Teng, Wu & Yang (2022)	Digital transformation	SMEs performance	Digital transformation	Significant

			strategies are positively correlated with the digital transformation of SMEs	
Al-Ayed, Al-Tit & Alashjaee (2023)	Digital transformation (Organizational perspective, Technological perspective, Social Perspective)	Organizational performance	positive and significant performance results of digital transformation	Significant
Pierre (2023)	Digital Transformation	Organizational Performance	positive relationship between the adoption of digital transformation strategies and improved organizational performance in terms of increased sales and customer engagement.	Significant
Wang, H., Feng, J., Zhang, H. & Li, X. (2020)	Digital Transformation Strategy (DTS)	Organizational performance	DTS has a positive relationship on the short- and long-term financial performance.	Significant

## Discussion

This should explore the significance of the results of the work. The literature review highlights that digital transformation should be a cohesive organizational process leading to favorable outcomes that actively contribute to organizational performance. Previous research has also suggested that a combination of findings has emerged from the selected papers. Hence, additional research is required to determine the relationship between digital transformation and organizational performance.

## Objective and Research Question Achievement

The study has achieved the objective set in the beginning of this research to identify the number of studies of the relationship between digital transformation and performance from 2019 to 2023; and to examine the strength of the relationship between digital transformation and performance.

## Research Limitations

This research has several limitations, including:

- i. This research solely investigates the impact of digital transformation on organizational performance in a general sense. Additional studies are needed to



explore the effects of digital transformation across different sectors and organizational sizes.

- ii. Furthermore, this research only considers the short-term effects of digital transformation on organizational performance. Future research should focus on examining the long-term impacts of digital transformation on organizational performance.

## Conclusions

In conclusion, this study has achieved its objectives of identifying the number of studies of the relationship between digital transformation and performance from 2019 to 2023. This study have also examined the strength of the relationship between digital transformation and performance. Thus, a positive relationship can be seen between effective digital transformation on organizational performance. Forthcoming research should assess the influence of other dimension as digital transformation on performance. This paper contributes to a comprehensive review of the literature on digital transformation and organizational performance. Therefore, considering the findings from the chosen papers within the framework of digital transformation, it becomes evident that there is a need for additional research in specific sub-area. Hence, this research can be a starting point for many other areas of research on the subject area and gives relatively clear understanding on the effectiveness of digital transformation on organizational performance.

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