



DIGITAL TRANSFORMATION AND STRATEGIC MANAGEMENT IN ORGANIZATIONS

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ABSTRACT

The study on “Digital Transformation and Strategic Management in Organizations” examines how the adoption of digital technologies influences strategic decision-making, organizational performance, and competitive advantage. Digital transformation refers to the integration of advanced technologies such as artificial intelligence, cloud computing, big data analytics, and automation into business processes, while strategic management focuses on formulating and implementing long-term organizational strategies. The study highlights that digital transformation has become a key driver of organizational success in the modern business environment. It improves operational efficiency, enhances customer experience, supports data-driven decision-making, and fosters innovation. However, despite high levels of adoption, many organizations fail to fully achieve expected benefits due to challenges such as poor data quality, lack of skilled workforce, high implementation costs, and weak strategic alignment.

Keywords: Digital Transformation, Strategic Management, Artificial Intelligence, Cloud Computing, Big Data Analytics, Organizational Performance, Business Strategy, Innovation, Decision-Making.

1. INTRODUCTION

In the modern business environment, rapid technological advancements are transforming the way organizations operate, compete, and deliver value to customers. Digital transformation refers to the integration of digital technologies such as artificial intelligence, cloud computing, big data analytics, the Internet of Things (IoT), and automation into organizational processes, products, and services. It goes beyond the adoption of technology by fundamentally changing business models, organizational culture, and customer interactions. Strategic management, on the other hand, is the process of formulating, implementing, and evaluating strategies that help

organizations achieve their long-term goals and maintain a competitive advantage. As digital technologies continue to reshape industries, organizations must align their digital initiatives with their strategic objectives to remain relevant and successful. The relationship between digital transformation and strategic management has become increasingly important in today's dynamic and competitive marketplace. Organizations that effectively leverage digital technologies can enhance operational efficiency, improve decision-making, foster innovation, and create superior customer experiences. Therefore, digital transformation is not merely a technological change but a strategic imperative that enables organizations to adapt to evolving market conditions and achieve sustainable growth. This study examines the role of digital transformation in strategic management and explores how organizations can use digital technologies to strengthen their competitive position and improve overall performance.

2. REVIEW OF LITERATURE

In 2024, Gaffar Hafiz Sagala and DóraŐri from Hungary conducted a systematic literature review titled *Toward SMEs Digital Transformation Success*. The study examined the success factors of digital transformation in small and medium-sized enterprises (SMEs). The researchers found that strategic leadership, digital capabilities, innovation culture, and organizational readiness are essential for achieving successful digital transformation. The study also highlighted that SMEs must align digital initiatives with long-term business strategies to remain competitive in dynamic markets.

In 2025, Rani Anwar, SatriaBangsawan, and AyiAhadiat from Indonesia published a study titled *Strategic Management and Digital Transformation: A Systematic Review of Organizational Transformation Frameworks (2019–2024)*. Their review revealed that successful digital transformation depends on technology integration, digital leadership, organizational culture, dynamic capabilities, and process transformation. The study concluded that organizations need adaptive strategic frameworks to manage technological disruptions and maintain sustainable growth.

Another important study was conducted in 2025 by Afrin FauzyaRizana, IwanInrawanWiratmadja, and Muhammad Akbar from Indonesia. Their research, *Exploring Capabilities for Digital Transformation in the Business Context*, identified the organizational capabilities required for effective digital transformation. The study found that many digital transformation projects fail because organizations lack strategic capabilities, technological readiness, and change-management competencies. The researchers emphasized that building digital capabilities is essential for improving organizational performance and strategic flexibility.

In 2024, Marcello Cosa and Riccardo Torelli from Italy conducted a systematic literature review on *Digital Transformation and Flexible Performance Management*. Their study examined how digital technologies influence organizational performance measurement systems. The findings showed that digital transformation enhances decision-making agility, adaptability, and strategic responsiveness. The authors argued that organizations must redesign traditional performance management systems to effectively support digital strategies and rapidly changing business environments.



Similarly, in 2024, Tobias Reisberger, Philip Reisberger, and Lukáš Copuš from Austria and Slovakia explored the relationship between digital transformation and organizational culture. Their study found that organizational culture plays a significant role in the success of digital transformation initiatives. The researchers concluded that a culture that encourages innovation, collaboration, continuous learning, and employee engagement strengthens digital transformation outcomes and supports strategic management objectives.

In 2025, Koteshwar Chirumalla and his colleagues from Sweden and other European institutions conducted research on *Critical Factors Affecting Digital Transformation in Manufacturing Companies*. The study identified leadership commitment, workforce skills, digital infrastructure, and strategic planning as the major determinants of successful digital transformation. The researchers emphasized that manufacturing firms must integrate digital technologies into their strategic management processes to improve operational efficiency and competitiveness.

Furthermore, in 2025, Nikodemus Angula and Asa Romeo Asa from Namibia published a meta-analysis titled *The Impact of Digital Transformation on Strategic Management in the Digital Age*. Their findings revealed that technologies such as Artificial Intelligence (AI), Big Data Analytics, Cloud Computing, Blockchain, and the Internet of Things (IoT) significantly influence strategic decision-making, innovation, and organizational agility. The study concluded that digital transformation has fundamentally changed how organizations formulate and implement business strategies. In 2024, Ping Zhang and Yiru Wang from China conducted a systematic review on digital transformation from a corporate finance perspective. Their research found that digital transformation positively influences investment decisions, financing efficiency, and firm value creation. The study highlighted that organizations increasingly use digital technologies to support strategic financial planning and improve long-term organizational performance.

3. RESEARCH METHODOLOGY

The study on Digital Transformation and Strategic Management in Organizations is based on a descriptive research design, which is used to explain the current trends, patterns, and impact of digital transformation in modern organizations. This design helps in understanding how digital technologies influence strategic decision-making, organizational performance, and competitive advantage. The nature of the study is both qualitative and quantitative. The quantitative aspect is supported by numerical data such as percentages of digital adoption, success rates, and challenges faced by organizations. The qualitative aspect explains how digital transformation affects leadership, strategy formulation, innovation, and overall business performance. This study is based on secondary data sources, where information is collected from published reports and global surveys. The major sources include McKinsey & Company, PwC, Deloitte, KPMG, Gartner, and IDC reports. These sources provide reliable and updated information related to digital transformation trends and strategic management practices.

3.1 Objectives of the Study

- To study the level of digital transformation adoption in organizations.

- To analyze the impact of digital transformation on strategic management and organizational performance
- To identify the major challenges affecting successful digital transformation

3.2 Importance of Digital Transformation in Organizations

Digital transformation plays a vital role in modern organizations by improving how they operate, compete, and deliver value. It is not only about using technology but also about improving strategy, processes, and customer experience.

Improves Operational Efficiency

Digital transformation helps organizations automate routine tasks, reduce manual work, and speed up business processes. This leads to lower costs, fewer errors, and higher productivity.

Enhances Customer Experience

Organizations can use digital tools to understand customer needs better and provide personalized services. It also improves communication through websites, mobile apps, and social media platforms.

Supports Better Decision-Making

With the help of data analytics and AI, organizations can make faster and more accurate decisions. Real-time data helps managers plan strategies effectively.

Increases Innovation

Digital transformation encourages the development of new products, services, and business models. It helps organizations stay competitive in a changing market.

Strengthens Competitive Advantage

Organizations that adopt digital technologies faster can outperform competitors by offering better services, lower costs, and improved efficiency.

Improves Business Agility

Digital organizations can quickly respond to market changes, customer demands, and global disruptions. This flexibility is essential in today's fast-changing environment.

Enables Cost Reduction

Automation, cloud computing, and digital tools reduce operational costs by minimizing resource wastage and improving efficiency.

Supports Data-Driven Culture

Digital transformation promotes the use of data in every decision-making process, making organizations more strategic and evidence-based.

Improves Employee Productivity

Employees can work more efficiently using digital tools, collaboration platforms, and automation systems, which reduce workload and improve performance.

Ensures Long-Term Growth

By adopting digital technologies, organizations can expand into new markets, improve services, and ensure sustainable long-term development. Digital transformation is essential for organizational success in the modern business world. It improves efficiency, innovation, decision-making, and competitiveness while helping organizations achieve sustainable growth.

Table 1: Global Digital Transformation Statistics

S. No.	Indicator	Value (%)	Sample Size
1	Organizations undergoing digital transformation	90%	1,331 executives
2	Average value achieved from digital transformation	31%	Global firms
3	High-performing firms capturing value	50%	Top companies
4	Digital transformation success rate	30–35%	Industry average
5	Organizations with formal digital strategy	67%	Logistics firms
6	Firms planning AI investment increase	71%	Global leaders
7	Firms reporting data quality issues	87%	Enterprise survey
8	Firms where tech investments fail expectations	89%	Global executives
9	Firms reporting no profit improvement	51%	Executives
10	Digital leaders increasing spending	76%	Enterprise leaders

Source: McKinsey& Company (Global Digital Transformation Survey Reports, 2022–2023). Table 1 and figure-01 shows that digital transformation is widely adopted across organizations, with 90% of executives reporting ongoing transformation initiatives. However, the benefits are not fully realized, as only 31% average value is achieved, while high-performing firms capture up to 50% value. The table also highlights a strong strategic focus on AI, where 71% of firms are increasing AI investment. Despite high adoption, major challenges exist, including 87% reporting data quality issues and 89% stating that technology investments fail to meet expectations, indicating a gap between digital investment and actual outcomes. Figure-01 explain the Global Digital Transformation Statistics.

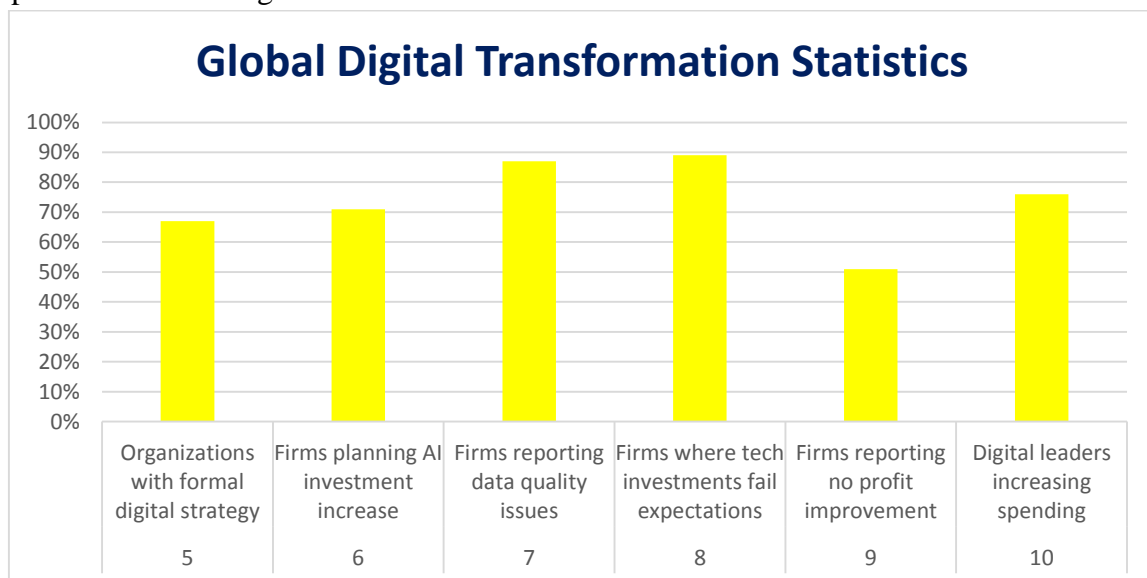


Figure 2: Display Representation of global digital transformation statistics

Table 2: Strategic Impact of Digital Transformation

Strategic Area	Numerical Outcome
Revenue/Value capture (leaders)	50%

Average transformation value	31%
Failure/underperformance rate	65–95%
AI adoption growth	71%
Data quality problem	87%
Tech investment dissatisfaction	89%
Firms with digital strategy	67%–90%

Source: McKinsey & Company (Global Digital Transformation Value and Performance Reports, 2022–2023).

Table 2 indicates that digital transformation has a significant impact on strategic management outcomes. Organizations with strong digital capabilities achieve higher value capture (50% in leaders) compared to the average (31%). However, the failure or underperformance rate remains very high (65%–95%), showing that many organizations struggle to convert digital investments into results. The table also highlights that 67%–90% of firms now use formal digital strategies, proving that digital transformation is becoming a core part of strategic planning.

Table 3: Digital Transformation Adoption Trends

Indicator	Percentage (%)
Companies actively transforming	90%
Firms with formal strategy	67%
AI investment growth plans	71%
Cloud & AI usage in firms	80%+ (industry avg)
Leaders vs laggards ROI gap	76% vs 44% satisfaction

Source: McKinsey & Company (Digital Transformation Global Survey Reports, 2022–2023). Table 3 reflects strong global adoption of digital technologies, with 90% of companies actively transforming and 67% having formal strategies. AI and cloud technologies are becoming mainstream, with 71% AI investment growth plans and 80%+ cloud adoption. However, there is a clear performance gap between digital leaders and laggards, where satisfaction levels are 76% vs 44%, indicating that effective implementation—not just adoption—is critical for success.

Table 4: Challenges in Digital Transformation

Challenge	Percentage (%)
Technology not meeting expectations	89%
Poor data quality	87%
No profit improvement	51%
Skills shortage (industry avg)	~40–75%
Transformation failure rate	70–95%

Source: PwC (Global Digital IQ Survey and Technology Transformation Reports, 2024).

Table 4 highlights major barriers to successful digital transformation. The most critical challenge is that 89% of organizations report technology not meeting expectations, followed by 87% facing data quality issues. Additionally, 51% report no profit improvement, showing

weak financial outcomes despite investment. A significant 70%–95% transformation failure rate indicates that many organizations struggle to implement digital strategies effectively. The 40%–75% skills shortage further emphasizes the need for workforce development to support successful transformation.

4. CHALLENGES IN DIGITAL TRANSFORMATION

Digital transformation offers many benefits, but organizations often face several challenges while implementing it. These challenges affect the success of strategic management and overall performance.

4.1. High Implementation Cost

Digital transformation requires heavy investment in technologies such as AI, cloud computing, and software systems. Small and medium-sized organizations often struggle with these costs.

4.2. Resistance to Change

Employees and management may resist new technologies due to fear of job loss, lack of understanding, or comfort with traditional methods. This slows down transformation.

4.3. Lack of Skilled Workforce

Many organizations do not have employees with proper digital skills such as data analytics, AI, and cybersecurity. This skill gap becomes a major barrier.

4.4. Data Security and Privacy Issues

With increased digital systems, organizations face risks of cyberattacks, data breaches, and privacy violations, which can damage reputation and trust.

4.5. Poor Data Quality

In many organizations, data is incomplete, inaccurate, or unorganized. This affects decision-making and reduces the effectiveness of digital tools.

4.6. Integration with Legacy Systems

Many organizations still use old systems that are difficult to integrate with new digital technologies, causing delays and technical problems.

4.7. Lack of Clear Strategy

Without a proper digital strategy, organizations may invest in technology without clear goals, leading to failure in achieving expected outcomes.

4.8. Rapid Technological Changes

Technology is changing very quickly, making it difficult for organizations to keep up and continuously upgrade their systems.

4.9. Insufficient Leadership Support

Successful digital transformation requires strong leadership. Lack of support from top management can lead to poor execution.

4.10. Low Employee Engagement

If employees are not involved or trained properly, they may not use digital systems effectively, reducing productivity and success rate.

Digital transformation is challenging due to financial, technical, and human factors. Organizations must address these issues through proper planning, training, leadership support, and strong strategy to achieve successful transformation.

5. FINDINGS OF THE STUDY

The study on Digital Transformation and Strategic Management in Organizations reveals that digital transformation is widely adopted across the globe. Around 90% of organizations are actively undergoing digital transformation, showing that digital technologies have become a key part of modern business operations and strategic planning. This indicates that organizations are increasingly relying on technologies such as AI, cloud computing, and data analytics to improve performance and competitiveness. However, the findings also show that organizations are not fully achieving the expected benefits from digital transformation. On average, only 31% of the expected value is realized, while high-performing organizations are able to achieve up to 50% value capture. This highlights a significant gap between investment in digital technologies and the actual outcomes achieved by organizations. The study further finds that digital transformation plays an important role in strategic management, as 67% to 90% of organizations have developed formal digital strategies. This shows that companies are integrating digital transformation into their long-term planning and decision-making processes to improve efficiency, innovation, and competitiveness. Despite high adoption, the study identifies a major concern in terms of success rates. It is found that 65% to 95% of digital transformation initiatives fail or underperform, which shows that implementation remains a major challenge for many organizations. This indicates that simply adopting technology is not enough; effective execution and strategic alignment are essential. The findings also highlight the rapid growth of advanced technologies, with 71% of organizations increasing their investment in AI and more than 80% adopting cloud and AI-based systems. This reflects a strong global shift toward digital and data-driven business models.

Another important finding is the performance gap between digital leaders and laggards. Digital leaders report 76% satisfaction, while laggards report only 44%, showing that successful digital transformation depends heavily on leadership, capability, and strategic execution. Finally, the study identifies several major challenges affecting digital transformation success, including 89% of organizations reporting technology not meeting expectations, 87% facing poor data quality, 51% experiencing no profit improvement, and 40%–75% facing skill shortages. Overall, the study concludes that while digital transformation is essential for strategic management, its success depends on overcoming these key challenges through strong leadership, skilled workforce, and effective strategy implementation.

6. POLICY IMPLICATIONS

The findings of the study on Digital Transformation and Strategic Management in Organizations suggest several important policy implications for governments, organizations, and decision-makers to improve digital adoption and strategic outcomes. Firstly, policymakers should focus on strengthening digital infrastructure such as high-speed internet, cloud systems, and data centers. Since a large proportion of organizations are undergoing digital transformation, strong infrastructure is essential to support smooth and efficient digital operations, especially in developing regions. Secondly, there is a clear need for policies that promote digital skills development and workforce training. The study shows that many organizations face a 40%–75% skills shortage, which limits successful implementation.

Governments and institutions should introduce digital education programs, technical training, and upskilling initiatives in areas like AI, data analytics, and cybersecurity. Thirdly, organizations and governments should establish strong data governance and cybersecurity policies. As 87% of firms report data quality issues, it is important to implement standards for data accuracy, privacy protection, and secure digital systems to support better strategic decision-making. Fourthly, policy support should encourage innovation and investment in emerging technologies such as AI, cloud computing, and automation. Since 71% of firms are increasing AI investment, governments can promote this growth through tax benefits, subsidies, and research incentives. Fifthly, there is a need for strategic digital transformation **frameworks** at the organizational level. Many firms experience failure or underperformance (65%–95%), so structured guidelines and best practices should be developed to ensure proper planning, execution, and monitoring of digital initiatives. Lastly, policymakers should support SMEs and lagging organizations to reduce the performance gap between digital leaders and laggards. Financial assistance, consultancy support, and digital advisory services can help smaller firms adopt technology effectively and improve competitiveness.

7. CONCLUSION

The study on Digital Transformation and Strategic Management in Organizations highlights that digital transformation has become a fundamental requirement for modern organizations. The findings show that a large majority of organizations, around 90%, are actively engaged in digital transformation, indicating its global importance in improving business operations and competitiveness. However, the study also reveals that the benefits of digital transformation are not fully realized. On average, organizations achieve only 31% of expected value, while high-performing firms reach up to 50%, showing a clear gap between adoption and actual performance. This indicates that successful outcomes depend not only on technology adoption but also on effective strategic planning and execution. The study further concludes that digital transformation has a strong influence on strategic management, as many organizations have adopted formal digital strategies. At the same time, the high failure or underperformance rate (65%–95%) shows that many organizations struggle with implementation challenges such as poor data quality, lack of skills, and technology integration issues. Despite these challenges, digital transformation continues to grow rapidly, with increasing investment in AI and cloud technologies. However, success is strongly linked to leadership capability, organizational readiness, and alignment between technology and strategy.

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