ADOPTING DIGITAL TRANSFORMATION: AN EMPIRICAL STUDY ON HOW DIGITAL TRANSFORMATION SHAPES ORGANIZATIONAL SUCCESS

By

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https://doi.org/10.26634/jmgt.20.2.22263

Date Received: 05/07/2025 Date Revised: 08/08/2025 Date Accepted: 21/10/2025

ABSTRACT

This study explores how digital transformation impacts the performance of small and medium-sized enterprises (SMEs) in Kerala, India, enabling them to achieve success and remain competitive in an ever-changing business environment. A quantitative approach using Partial Least Squares Structural Equation Modeling "PLS-SEM" was employed to analyze survey data from 400 SME employees in Kerala using a purposive sampling technique. The study investigates how digital transformation shapes organizational success, grounded in dynamic capabilities theory. The findings show that digital transformation has a fundamental effect on organizational success and is crucial to enhancing organizational performance in today's competitive corporate environment. Employee perception and adaptability, and digital readiness are identified as important factors influencing digital transformation. The research takes into account the significance of fostering a digitally ready organizational culture and improving employee engagement to maximize the benefits of digital transformation. By offering practical advice for SME leaders hoping to successfully traverse the digital age, the findings add to the expanding corpus of knowledge on digital transformation.

Keywords: Digital Transformation, Employee Engagement, Digital Readiness, Organizational Success, Organizational Performance.

INTRODUCTION

In an era marked by rapid technological advancement, the ability of organizations, particularly small and medium-sized enterprises (SMEs), to adapt and remain competitive has become a vital determinant of long-term success (Indarti & Langenberg, 2004; Omri et al., 2015). Although many firms are investing heavily in digital tools and infrastructure, they typically struggle to translate these investments into meaningful competitive advantages. These challenges stem from the complex and multifaceted nature of digital transformation, which involves not just technological upgrades but also fundamental changes in how services are delivered, how user needs are addressed, and how organizations engage with their user base (Kraus et al., 2022; Mergel et al., 2019). In addition, Harvard Business Review reveals, "Digital transformation within an organization is complex due to internal linkages, requiring focus on skills, projects, infrastructure, information technology systems, and procedures" (Bell, 2011; Davenport & Westerman, 2018; Learned, 1969).

Considering these complexities, several critical questions arise: How does digital transformation influence the success of small and medium-sized enterprises (SMEs)? What roles do employee adaptability and digital readiness play in this process? Which internal characteristics support sustainable digital integration?

Schwertner (2017) discussed the importance of digital systems, asserting that digital business transformation leverages technology to innovate business models, processes, software, and systems, driving new products, competitive advantage, profitability, and operational efficiency. However, accurate performance appraisal before and after digital transformation is important to ensure the efficient management of a transformation process in an organization (Pacyna & Langford, 2022). Madianou et al. (2015) asserted in their study that digital technology reshapes networks by altering power dynamics, empowering social groups, managing information flow, and resolving stakeholder disputes.

Despite strong scholarly focus on digital transformation in developed economies and major firms, there is a significant lack of empirical research concerning SMEs in emerging markets like India. Current studies predominantly focus on technological adoption, frequently overlooking essential human and organizational elements, like employee perception, flexibility, and internal preparedness (Alieva & Powell, 2022; Cai et al., 2023; Marino-Romero et al., 2024). Furthermore, research typically lacks precision about the tangible effects of digital transformation on organizational performance, particularly from the viewpoint of strategic capabilities. This study aims to fill these gaps by utilizing Dynamic Capabilities Theory to analyze how digital transformation enhances organizational performance through mediators such as organizational efficiency (Augier & Teece, 2007; Teece et al., 1997).

Social media use can lead to "a substantial redistribution of accountability" and further demonstrates how crowd-based accountability reshapes organizational accountability (Scott & Orlikowski, 2012). While digital transformation has significantly enhanced organizational effectiveness, it has also introduced complex challenges, particularly in terms of privacy and data security. Scott and Orlikowski (2012) emphasized that the rise of social media has redefined accountability, shifting the focus from clearly defined stakeholders with specific demands to a more diffuse and ambiguous public.

This shift introduces substantial complexity, as efforts to implement organizational change may produce unpredictable outcomes if the systemic nature of the organization is not fully understood. Due to employees' and management's limited and imprecise understanding of the process, digital transformation becomes a challenging endeavor. Furthermore, as Saura (year) noted, "There may be risks associated with data security and privacy protection for businesses that are experiencing digital transformation.

Contrastingly, Alieva (year) argues that managers typically perceive digitalization as highly risky and threatening, as employees fear being replaced by machines and artificial intelligence following the full implementation of digital transformation (Alieva & Powell, 2023). Therefore, it is essential to recognize that this paradigm shift marks the beginning of a new era in business transformation and development while also catalyzing change in traditional sectors (Gregory et al., 2015). Organizations navigating the digital transformation face a complex array of opportunities and challenges in the evolving digital economy. While this transformation drives economic benefits, such as reduced manufacturing and transaction costs, expanded market opportunities, and enhanced efficiency, it also introduces risks. These include platform monopolistic competition, technological obstacles, and data compartmentalization (Loonam et al., 2018). If not addressed proactively, these concerns could decrease the likelihood of businesses adopting a digitalization-oriented culture. Because digital transformation is an expensive, time-consuming, and complex process that covers a wide range of matters, including purchasing hardware and software, maintaining systems continuously, upgrading equipment, and providing staff training. Hence, it becomes critically important from a theoretical and practical standpoint to conduct a comprehensive study that painstakingly examines the significant effects of digital change on the good growth of organizations (Kamoche & Wood, 2023). Studies indicate that a notable hindrance to the digital transformation of organizations is inadequate knowledge and

comprehension on the part of both staff and management (Foerster-Metz et al., 2018). Further research is encouraged, as the outcome is significant in the context of Kerala-based IT sector. IT SMEs in Kerala involved in the 'Digital Kerala' project have shown significant improvements in productivity and customer engagement after adopting AI-driven CRM solutions.

The necessity and significance of this study are further emphasized by prevailing business trends. The Indian government's 'Digital India' and Kerala's 'Digital Kerala' efforts are enhancing digital adoption among SMEs by providing various incentives, training, and infrastructural assistance. Consequently, several companies have begun the integration of technologies such as AI-driven CRM systems, cloud-based ERP, and data analytics. Recent surveys indicate that whereas 73% of Indian SMEs see digital transformation as a strategic objective, less than 45% observe measurable enhancements in profitability or efficiency. This mismatch signifies a significant information deficiency about the impact of internal organizational elements on digital transformation outcomes, an issue that this study aims to directly confront.

Background of the Study

Conceptual Understanding of Digital Transformation

A typical Digital Transformation program can help make a company's operations more robust and adaptable by improving the user and customer experience, altering the business model, and changing procedures (Hinings et al., 2018). Digital Transformation, as a Darwinian evolutionary process, must align with a company's strategic goals, operational procedures, and employee engagement plans to ensure a seamless, long-lasting transition (Cai et al., 2023).

Gregory et al. (2015) defined digital transformation as "a process that aimed to improve an entity by triggering significant changes to its properties through the combination of information, computing, communication, and connectivity technologies." These changes brought about by the digital system enhance system capabilities, exert pressure on stakeholders, and create a continuous feedback loop of data, analytics, and insights, driving operational excellence. In the context of organizational systems, people, processes, and data must all be continuously improved.

Organizations utilize diverse technologies, including blockchain, AI, machine learning, and IoT, to perceive, adapt, and transform their operations while ensuring digital compliance and involving senior workforce members to address changing circumstances. These technologies also enable businesses to automate routine processes, reduce operating costs, and enhance productivity through robotic process automation (RPA) and AI tools, which free up labor for higher-value tasks. Digital Transformation fosters value creation by lowering transaction costs, enhancing innovation, and expanding market opportunities, ultimately boosting corporate value and reducing risks. Additionally, leveraging digital technologies improves recruitment processes, enhances employer branding, and strengthens technical innovation capabilities (Cai et al., 2023). Companies must initiate Digital Transformation by reorienting their workforce on digital technologies and engaging change agents to instill a sense of purpose and awareness for the proposed change (Fernández et al., 2018; Saleh & Auso, 2025; Tumbas et al., 2015b). However, the process of Digital Transformation faces challenges, such as platform monopolistic competition, technological obstacles, data compartmentalization, resistance to change, ambiguity, rapid technological evolution, and lack of digital literacy (Loonam et al., 2018).

Addressing these challenges requires strong leadership, open communication, and strategic efforts to empower employees with the skills needed to thrive in a digitally evolving workplace (Oakland & Tanner, 2007). Ultimately, Digital Transformation aims to achieve higher productivity, improved customer satisfaction, and sustainable revenue growth, positioning organizations as leaders in the digital era.

Impact of Digital Tools on SME Operations, Productivity, and Innovation

The ability of an organization to adjust to the difficulties and shifts brought about by the market is a major factor in

determining its chances of surviving and prospering. Organizations can fully capitalize on the opportunities of digital transformation by fostering a culture that embraces change, setting the foundation for long-term success and sustainable growth. The success of administrative projects is largely influenced by the active involvement of upper management. Pinto and Ika (2024) underscored the importance of project success and its contribution to the whole success of the organization. They assert that evaluating organizational performance involves determining whether a project fulfills its original business case objectives or is recognized as a worthwhile investment.

Pragmatically, organizational success can be defined as long-term performance derived from operational actions aligned with corporate missions and values (Kamilah et al., 2020). Numerous studies examine organizational success by focusing on key elements rather than the organization as a whole. Performance metrics can determine if a project's success is aligned with organizational success (Farris et al., 2011; Pongatichat & Johnston, 2008). Aguinis and Bradley (2015) emphasized that top performers, regardless of an organization's size or sector, can significantly influence organizational success and drive long-term impact. The importance of branding in organizational success is underscored by Balmer, who notes that a strong brand orientation can shape an organization's direction and success (Balmer & Podnar, 2021). Bennett and Barkensjo (2005) and Drollinger (2018) argued that acquiring financial resources is essential for implementing initiatives and achieving organizational objectives. Characteristics contributing to organizational success include regular communication for sharing critical information, fostering a desire for participation among members, and enhancing their understanding of the organization's goals, values, and culture (Bruneau et al., 2018; Leppäniemi et al., 2017; Gruen et al., 2000). Organizational success also depends on cultivating internal routines that enable collaboration with competitors within a "community" framework (Zulu-Chisanga et al., 2023). This approach aligns with the African Ubuntu philosophy, "*I am because we are,*" which encourages managers in Sub-Saharan Africa to view competitors as collaborators rather than rivals. The integration of AI and predictive analytics into SME operations has been shown to improve forecasting precision and reduce decision-making delays (Wamba et al., 2020).

Moreover, fair and equal employment practices, as part of Common Good HRM, foster trust and success within organizations (Aust et al., 2020). The attitudes and actions of Small Business Managers (SBMs) also play a crucial role in achieving organizational success (Vizcaíno et al., 2021; Vizcaíno et al., 2023). Despite extensive research on digital transformation, there remains limited understanding of its impact on SMEs in emerging economies across industries. A significant gap in the literature exists regarding the mediating role of organizational preparedness and employee perceptions.

Digital Transformation Impact on Organizational Success

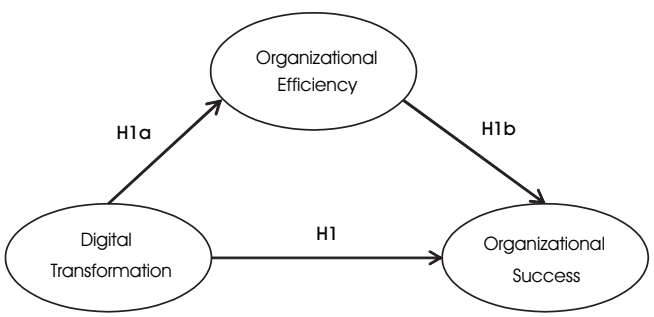
Vial (2021) noted that digital transformation has a significant impact across various organizational levels, including operational efficiency, which involves process automation, business process development, and cost savings (Gust et al., 2017; Andriole et al., 2017; Pagani, 2013). Additionally, it influences organizational performance factors such as innovation, financial performance, overall organizational growth, reputation, and competitive advantage (Svahn et al., 2017; Karimi & Walter, 2015; Tumbas et al., 2015a; Kane et al., 2015; Neumeier et al., 2017). Moreover, digital technologies have proven to significantly enhance people's quality of life, particularly in the healthcare sector. Tools like electronic health records, big data analytics, and augmented physical items contribute to advancing a sector traditionally slow in adopting new technologies (Agarwal et al., 2010; Bravhar & Juric, 2017; Kane et al., 2015).

Teece (2007) proposed Dynamic capabilities (DC) enable firms to innovate and adapt to changes in their environment through three main mechanisms, one of which is assessing technological opportunities based

on customer needs. To meet these needs and capture value, resources must be mobilized and continually renewed, demonstrating the process of transformation". Furthermore, resource reconfiguration strategically enables firms to seize opportunities and respond to threats (Teece, 2007). Vial (2018) supported the notion that digital transformation created an ongoing shift and disruption in an organization's competitive environment, closely linked with dynamic capabilities (DC). Digital transformation played a crucial role in enhancing and redefining physical products and services, reshaping consumer value propositions, and generating new income streams, all of which were essential for ensuring the industry's viability.

Tilson et al. (2010) highlighted digital transformation's ability to transform organizational structures and enable sustainable competitive advantage. Thus, the literature review conducted in this study lays the groundwork for the proposed conceptual model, as illustrated in Figure 1. To investigate the connection between digital transformation and organizational performance, the following theories are put forth, building on the knowledge found in the body of current literature:

- *H1:* Digital transformation has a significant influence on shaping organizational success.
- *H1a:* Digital transformation has a significant impact on organization efficiency.
- *H1b:* Organizational efficiency has a significant impact on organizational success.



Source: The Author's Proposed Model

Figure 1. Suggested Conceptual Model

1. Research Methodology

1.1 Research Design

Digital transformation has arisen as an important and fast-growing subject, attracting major attention from the corporate sector, particularly given the industry's fierce competition. This study rigorously assesses the association between digital transformation and how it will shape organizational success by adapting Dynamic Capability theory. This study adopts a quantitative research approach to empirically examine the relationship between digital transformation and organizational success, grounded in Dynamic Capability Theory. The focus is on assessing how various dimensions of digital transformation contribute to improved organizational outcomes in the context of Kerala's IT sector (Leão & da Silva, 2021; Lozić & Čiković, 2021; Sebastian et al., 2020).

1.2 Population and Sampling

The study population comprises employees working in IT firms located in Technopark, Kerala, a major technology and innovation hub in the state. A purposive sampling technique was employed to identify eligible organizations based on the following criteria:

- The organization must have at least 100 employees.
- It must be located within Kerala.
- It must employ digital technology in at least one functional department.

After selecting qualifying firms, simple random sampling was used to select employees across different job levels and departments, ensuring representativeness. A total of 400 responses were collected, exceeding the minimum sample size requirement of 384 for large populations (Krejcie & Morgan, 1970), thereby supporting statistical generalizability.

1.3 Data Collection Procedure

Data were collected using a structured, self-administered questionnaire, distributed both online and in person. Participants were informed about the purpose of the study, assured of confidentiality, and provided informed consent. The survey targeted employees across all organizational levels executives, managers, supervisors,

and operational staff engaged in digital transformation activities. The data collection took place over [March–May 2024], resulting in 400 fully completed questionnaires.

1.4 Questionnaire Design

The questionnaire was designed in two sections:

- *Section A:* Captured the demographic information of respondents (gender, job level, and years of experience).
- *Section B:* Focused on the key constructs of the study, measured using established scales from existing literature: A detailed summary is provided in the Table 1.

Each question (Item) is evaluated using a five-point Likert scale, spanning from "Strongly Disagree" to "Strongly Agree."

1.5 Measures and Data Analysis Techniques

The collected data were analyzed using Confirmatory Factor Analysis (CFA) and Structural Equation Modeling (SEM) to validate the theoretical model and test the hypothesized relationships among constructs (Kline, 2023). PLS-SEM is suitable for predictive models that incorporate latent variables and utilize small to medium sample sizes (Hair et al., 2019). CFA was used to assess whether the observed variables adequately represented the latent constructs as defined in the conceptual model. Unlike Exploratory Factor Analysis (EFA), CFA is employed to confirm a predefined factor structure based on theory and prior studies.

Data analysis was carried out using SmartPLS 4.0, evaluating reliability, validity, multicollinearity, model fit, and path relationships.

All 400 completed surveys were included in the analysis. The minimum required sample when the population exceeds 100,000 is 384, and hence the size of the sample meets the criteria. The data collected from the respondents show that they are engaged in the organization in different positions possessing various years of experience. Table 2 shows that employees from various private organizations are divided into three job levels: high-level management (executives and directors), n=108 (27%), middle management (managers and supervisors), n=142 (35%) and entry-level personnel (operational and field staff), n=150 (38%) using a Purposive sample design. The study aims to evaluate the feedback of a sample size of 400 respondents from various organizations in the state out of which 250 respondents are male and 150 respondents are female.

The study also evaluated respondents' feedback based on their experience with the respective organizations. Of

Demographic Variable	Characteristics	Frequency	Percentage
Gender	Male	250	63%
	Female	150	37%
	Total	400	100%
Position	Low level	150	38%
	Middle level	142	35%
	High level	108	27%
	Total	400	100%
Experience	Fresher	86	22%
	Below five	184	48%
	Above five	114	30%
	Total	400	100%

Source: Primary Data

Table 2. Basic Characteristics of Samples

Construct	Sub-Constructs / Measures	Number of Items	Sources
Digital Transformation	Digital Transformation Readiness (DTR)	5	Alieva and Powell (2022) and Davenport and Westerman (2018) and Kraus et al. (2022) and Schwertner (2017) and Vial (2021)
	Employee Adaptability and Perception (EAP)	5	
Organizational Efficiency (Mediator)	Direct measurement	5	Bharadwaj and El Sawy (2013) and Davenport and Westerman (2018)
Organizational Success (Outcome)	Employee Loyalty (EL)	4	Elegido (2013) and Omri et al. (2015) and Galindo-Martín et al. (2019)
	Technology (Tech)	4	
	Innovation (Inn)	3	
	Competitive Advantage (CA)	3	

Source: Authors' work

Table 1. Constructs and Dimensions

the respondents, n = 184 (48%) had less than 5 years of experience, n = 114 (30%) had more than 5 years of experience, and n = 86 (22%) were freshers.

2. Results and Findings

2.1 Descriptive Statistics

The structured questionnaire was developed based on existing literature and validated measurement scales adopted from reliable sources. The data collected was used to assess seven dimensions: five items measuring Digital Transformation Readiness (DTR), five items assessing Employee Adaptability and Perception (EAP), five items evaluating Organizational Efficiency (OE), four items measuring Employee Loyalty (EL), four items assessing Technology (Tech), three items evaluating Innovation (Inn), and three items gauging Competitive Advantage (CA). Detailed descriptive statistics for each construct are shown in Table 3. Additionally, to capture respondents' overall perceptions of how digital transformation influences organizational performance, a global item was included. All items were measured using a five-point Likert scale, ranging from 1 (strongly disagree) to 5 (strongly agree), enabling participants to express the extent of their agreement or viewpoint.

The survey comprised 29 questions and each question represents an item in line with the conceptual framework of digital transformation and Organization Success including sub-constructs that are derived from the previously validated instruments obtained.

2.2 Measures

The first and second-order evaluations of the measurement model were conducted following the recommendations (Hair et al., 2019). The indicator reliabilities of all latent constructs are shown in Table 4, which is followed by convergent validity (average variance extracted) and internal consistency (Henseler's rhoA and composite reliability). The Heterotrait–Monotrait (HTMT) ratio of correlations was used to investigate discriminant validity. Figure 2 shows that all constructs had indicator loadings above the critical value of 0.70, except for EPA1, EPA2, and EPA3, each above 0.62, which remained as per the consideration of Principles and Practice of Structural Equation Modelling (4th ed.), which

Construct	Code	Factor Loading	Cronbach's Alpha	Rho A	Composite Reliability	AVE
Employee Adaptability and Perception	EAP1	0.622	0.75	0.757	0.83	0.497
	EAP2	0.642				
	EAP3	0.689				
	EAP4	0.756				
	EAP5	0.799				
Digital Transformation Readiness	DTR1	0.79	0.847	0.85	0.891	0.621
	DTR 2	0.79				
	DTR 3	0.751				
	DTR 4	0.846				
	DTR 5	0.759				
Competitive Advantage	CA1	0.855	0.749	0.806	0.853	0.661
	CA2	0.888				
	CA3	0.681				
Employee Loyalty	EL 1	0.988	0.609	-0.027	0.081	0.266
	EL 2	-0.189				
	EL 3	-0.21				
	EL 4	-0.081				
Innovation	In1	0.88	0.769	0.846	0.852	0.661
	In2	0.651				
	In3	0.887				
Technology	Tech1	0.808	0.393	0.023	0.391	0.261
	Tech2	0.521				
	Tech3	-0.219				
	Tech4	0.269				

Source: The Author's Calculation

Table 3. Descriptive Statistics - Reliability and Validity of Constructs

Constructs	DTA	OE	DTR	EAP	EL	In	Tech
CA							
OE	0.628						
DR	0.487	0.728					
EAP	0.713	0.543	0.667				
EL	0.248	0.414	0.385	0.485			
In	0.104	0.136	0.202	0.169	0.073		
Tech	0.246	0.267	0.274	0.374	0.443	0.308	

Source: Author's Calculation

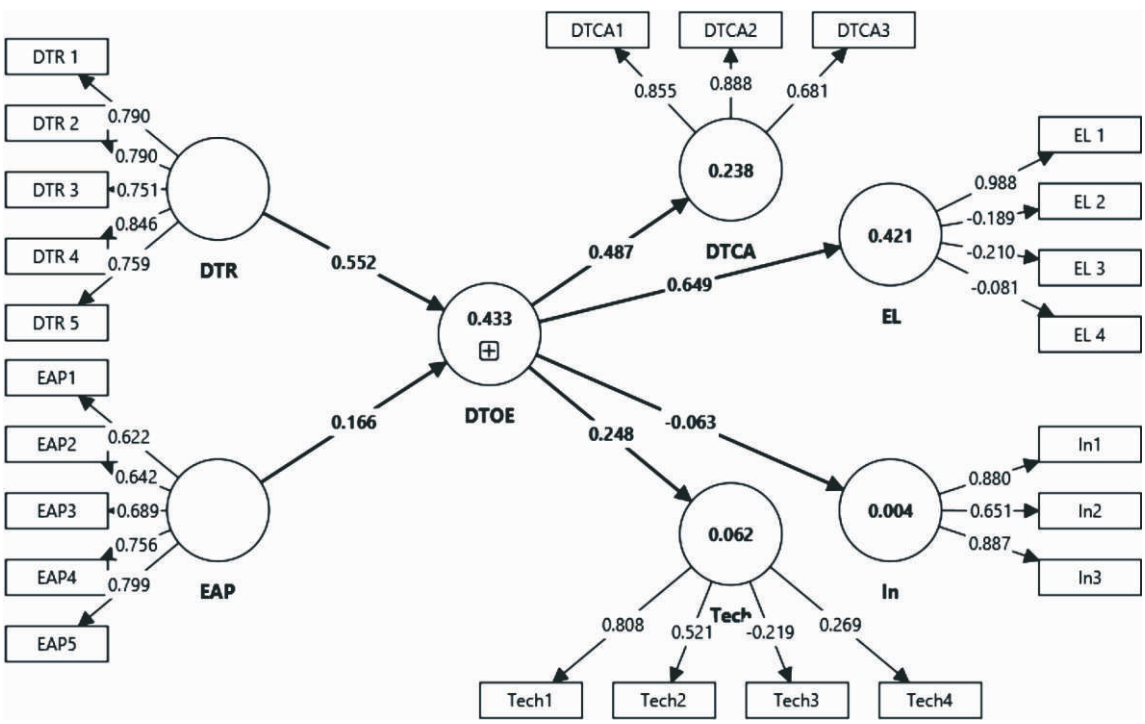
Note: Abbreviations
DT - Digital Transformation
CA - Competitive Advantage
OE - Organization Efficiency
DTR - Digital Transformation Readiness
EAP - Employee Adaptability and Perception
EL - Employee Loyalty
In - Innovation
Tech - Technology

Table 4. Discriminant Validity

stated that factor loading cut-offs in the context of confirmatory factor analysis (CFA) recommend 0.70 as an indicator of a well-fitting model but observe that merely lower thresholds can be used in exploratory settings for the analysis (Kline, 2023).

However, items of employee loyalty (EL) and technology (Tech) had indicator loadings with the least values that were below 0.4, and the AVE values that were also below the threshold value of 0.5 were deleted to gain the strength of the model fit, Multivariate Data Analysis (7th ed.) – Hair et al. All the latent variables of the study had pathological variance inflation factor (VIF) values between 1 and 2.884, indicating no CMB problems as indicated by the comprehensive co-linearity test (Kock, 2015). The HTMT ratio of correlations was used to examine the discriminant validity of first-order constructs. All HTMT ratios were determined to be below the cut-off value of 0.85 to indicate suitable discriminant validities of all latent variables in the investigation. The VIF inner values, which were less than the threshold value of 3.33, were used to detect the collinearity problems (Hair et al., 2019).

The size and significance of the path coefficients in the structural model were evaluated (Ghasemy et al., 2020; Saari et al., 2021). Each path coefficient showed low f-square values for organizational success and was statistically significant ($p < 0.05$).



Source: The Author's Assessment

Figure 2. Structural Model Assessments

2.3 Structural Model Assessment

Digital transformation was identified as a strong predictor of organizational success since the relationship between digital transformation and organizational success is marked by a path coefficient of 0.274, where, with other variables being controlled, a 1-unit increase in digital transformation would correspond to an average increase of 0.274 in organizational success. The T-statistic value is 2.097, which is more than the critical value of 1.96; that shows a statistically positive relationship between digital transformation and organizational success. It therefore has a significant statistical value at the 5% level with a p-value of 0.036, and thus $p < 0.05$, indicating that the relationship between digital transformation and organizational success is statistically rare and did not happen by accident.

The effect size is described by an F^2 with a value of 0.129; it points out that the effect size of digital transformation is small-to-medium as per Cohen's 1988 standards, where 0.02 indicates a small effect size, 0.15 a medium effect size, and 0.35 a large effect size. The findings show that while digital transformation has a noticeable effect on organizational success, its influence is moderate and may require additional factors to achieve a larger overall effect. The R-square of 0.442 means that 44.2% of the variance in organizational success is explained by the predictors included in the model: digital transformation and organizational efficiency. Inner VIF = 1.808 < 5. It suggests that there are no issues pertaining to multicollinearity problems. In short words, the results validate the research hypothesis (H1) that digital transformation has been an important factor influencing organizational success in smaller-to-medium effect sizes and with no multicollinearity problems.

The relationship between digital transformation and organizational efficiency is characterized by the path coefficient B=0.664, which means that in average terms, an increase of 1 unit in digital transformation will lead to a 0.664 unit increase in organizational efficiency (OE). The T-statistic of 5.985 is statistically much above the threshold of importance and hence represents a very significant relation that is even more guaranteed by the p-value of 0.000, $p<0.01$, making it statistically significant at a level of high convention. The effect size is conveyed through an F2. This indicates a high impact of digital transformation on organizational efficiency. In Cohen's guidelines (1988), an F2 of 0.791 was suggested to be considered high.

The R-square value was 0.674, showing that 67.4% of the variation in organizational efficiency is explained by digital transformation, which shows very high explanatory power. Inner VIF was 1.606, which is way below the threshold of 5 and, therefore, indicates no concern of multicollinearity. Overall, the results support the hypothesis (H2) that digital transformation has a significantly positive effect on organizational efficiency (OE) with no issues of multicollinearity.

The relationship between digital transformation, organizational efficiency, and organizational success is represented by a path coefficient (B) of 0.613, indicating that a 1-unit increase in organizational efficiency is associated with a 0.613 increase in organizational success, on average. The T-statistic of 4.184 exceeds the critical threshold, confirming that this relationship is statistically significant. Further, the above value is supported by a p-value of 0.000 ($p < 0.01$). So, it denotes a high level of statistical significance. Effect size with an f2 value of 0.645, using Cohen's 1988 rules of thumb, suggests that organizational efficiency has a very large effect on Org Success.

The inner VIF value is 1.722, which is less than the threshold of 5. Overall, these results are consistent with the hypothesis (H3) that organizational efficiency has a fundamental positive effect on organizational success, having a large effect size and no multicollinearity concerns. As a result, all three hypotheses, H1, H2, and H3, have been found significant at values of $p<0.05$, thus relating to the ones proposed, as shown in Table 5. In brief, the effect sizes of (H2) and (H3) depict large effects with strong relationships; H1 shows a small to medium effect size, as all inner VIF values are below the threshold of 5, which shows that there is no multicollinearity.

The R-squared values indicate that 67.4% of the variance in organizational efficiency is determined by digital

Hypotheses	Relationship Between Variables	B	T statistics (|O/STDEV|)	P values	f-square	R-square	VIF Inner	Results
H1	Digital Transformation -> Org Success	0.274	2.097	0.036	0.129	0.442	1.808	Supported
H2	Digital Transformation -> Organization Efficiency	0.664	5.985	0	0.791	0.674	1.606	Supported
H3	Organization Efficiency -> Org Success	0.613	4.184	0	0.645		1.722	Supported

Source: Author's Calculation

Table 5. Structural Model Assessments

transformation and 44.2% of the variance in organizational success by the combined effect of both digital transformation and organizational efficiency. All in all, this model portrays that there is a positive influence between digital transformation and both organizational efficiency and organizational success, which further suggests that organizational efficiency has a fundamentally positive effect on organizational success in the model, acting as an intermediary.

The Standardized Root Mean Square Residuals (SRMR) were applied to examine the goodness of fit index. All indices display the same values for both the estimated and saturated models, suggesting that they could fit the data equally. While the narrow confidence intervals and lower sample mean of 0.051 indicate consistency and dependability in model fit following resampling, the original sample value of 0.138 can indicate a considerable disagreement. Since the original sample value is 0.138 and is higher than the critical value of 0.08, the model fit is indicated to find room for improvement in the model's fit to better align with the data (Hair et al., 2019).

3. Discussion

Digitization in business has traditionally been linked to increased efficiency; however, it is now evident that its contribution extends far beyond this, driving much more profound changes. It allows organizations to "work faster and wiser and develop new business models to capitalize on many benefits" (Bala & Verma, 2018; Gnizy & Shoham, 2014). Gudergan and Mugge (2017) noted that digitalization encourages innovation, better designs, and business models that transform how companies create value on the web.

Leão and da Silva (2021) supported the significant effect of digital transformation on organizational sustenance and stated that "digital transformation is not just a trend but a necessity for the media industry's survival and long-term sustainability" (Benghalem et al., 2024). Teece (2007) stated, "Dynamic capabilities (DC) enable firms to innovate and adapt to changes in their environment through three main mechanisms, one of which is assessing technological opportunities based on customer needs." This research concludes that digital transformation is indispensable to overall organizational performance because it acknowledges the unbreakable connection among digital transformation, sustenance, and business organization success, considering the main factors influencing the significance of digital transformation. The findings of the study support the approach that digital transformation is associated with certain prerequisites that organizations must seriously consider, such as service quality, increased efficiency, and competitiveness. These require unique experiences, skilled and professional individuals, and attention to information security threats to ensure successful implementation (Sebastian et al., 2017). According to the findings of an international cross-sectoral study on the effect of digital transformation on business activity by the analytical firm Arthur D. Little, only 15% of companies have set up the right environment and strategies for the successful implementation of digital transformation through the allocation of appropriate resources (Stoianova & Moskaleva, 2021). The study also discovered that digital transformation leads to organizational efficiency and further organizational success.

Furthermore, the study highlights that there is a positive relationship between digital transformation and both organizational efficiency and organizational success. The study is mainly analyzing the Dynamic Capabilities-Strategic Management Theory to find out how digital

transformation can assist in leveraginga continuous feedback loop of data, analytical capabilities, and insights. Learned (1969) suggested that "the real key to a company's success or even its future development lies in its ability to find or create a competence that is truly distinctive." It is proposed that by adopting digital systems, organizations can not only develop unique competencies and enhance service delivery but also move closer to achieving strategic goals for long-term success (Teece et al., 1997). Although the significant impacts of digital transformation are highlighted in this study, other research indicates that employee resistance to digital tools may hinder progress, which calls for further investigation (Alieva & Powell, 2023). Ultimately, the results align with national strategic efforts such as the Digital India plan, which seeks to improve SME efficiency and service innovation through digital inclusion.

Conclusion

Digital Transformation is a multifarious procedure that involves modernizing core organizational processes and services by evaluating policies, operations, and user needs. It significantly impacts the organization's environment, functionality, and performance, potentially leading to its success. A study on SMEs in Kerala evaluated employees' perspectives on the usefulness of digital systems in their organization, finding that digital readiness and employee adaptability are key factors for successful implementation. A well-established digital environment can provide a competitive advantage, enhance employee loyalty, and promote innovation, and technological advancements, leading to real-time success for organizations. This study underscores the critical role of digital readiness and employee adaptability in realizing organizational success.

Theoretical Implication

This study highlights the crucial factors for achieving organizational success through digital transformation to strengthen and sustain businesses in a competitive environment. By showcasing the theory's applicability to digital transformation in developing economies, this study broadens the use of dynamic capabilities theory and provides a sophisticated comprehension of contextual issues. Much more than the integration of technological tools and adapting processes to leverage digital capabilities goes into it, such as fostering digital readiness and employee adaptability and perception, to digitally transform the organization's operation for better outcomes and efficiency. An organization shaped by this framework would focus on sound, quality-driven digital policies and practices that enrich the competencies and motivation of employees, managers, stakeholders, and customers. Such a course enriches the organizational ecosystem, which may lead to desired outcomes and long-term success. The findings of this study therefore support the concept of digital transformation, similar to "Dynamic Capabilities—Strategic Management Theory," on organizational success and sustenance. Hence, this study contributes to the body of knowledge that discusses digital transformation and organizational success.

Functional Implications

Implementing thorough training programs to increase staff's digital preparedness should be a top priority for Small and Medium-sized Enterprises (SMEs). By doing this, businesses may improve overall organizational efficiency and better prepare their personnel to adopt new technology. By providing grants or subsidies to SMEs to finance technical upgrades, policymakers may play an important role in promoting digital adoption. According to the report, many businesses consider digital transformation to be a significant turning point. It necessitates a major change in operations and thinking, which, if done well, may result in a large competitive advantage. This change, meanwhile, has the potential to upset existing procedures and impair the overall operation of the business if it is not handled well.

Also, the findings emphasize that the digitization of organizational systems is no longer a luxury but a must-have affair for firms to remain relevant and agile in an increasingly digital marketplace. To bridge the digital literacy gap, policymakers should consider offering training programs and incentives to SMEs that invest in digital technologies.

Limitations and Scope for Future Research

The study limitations center on the fit of the proposed model with the data, as the model could not meet all established fit criteria. Consequently, the findings indicate that the results fall short of achieving ideal model fit; however, the results suggest that for exploratory research purposes, our model with partial fit can still yield useful preliminary insights. It is therefore explicitly mentioned that future research could improve model fit by expanding the constructs and re-evaluating the model with a larger dataset to obtain more robust results. The present limitations of the study therefore suggest that future research be conducted regarding how the digital transformation would pan out to affect financial performance in sectors other than the IT sector in the long run. Further, digital transformation's potential benefits in the healthcare sector could also become a subject of further research in the future. Lastly, cross-country or cross-firm comparisons of results would also be the focus of future research.

Declaration

"I, Mustafa Salimi, and Prof. Dr. K.S Chandrasekar, do hereby declare that the research paper titled 'Adopting Digital Transformation: An Empirical Study on How Digital Transformation Shapes Organization Success' contains original research work done by the undersigned. We have acknowledged all sources used in the preparation of this paper and affirm that it has not been submitted elsewhere for publication."

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