Digitalization of Organizations: Literature Review

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Abstract

In the ever-evolving digital landscape, organizations undergo transformative journeys through digitalization, reshaping operations, strategies, and interactions. This study synthesizes insights from management, information systems, and innovation studies to explore the drivers, strategies, and implications of digitalization. Key findings reveal that technological advancements, market competition, and evolving customer expectations drive organizations toward digitalization, adopting diverse strategies. Digitalization significantly impacts internal processes, enhancing communication, data-driven decision-making, and innovation, fostering customer-centricity. However, challenges like resistance to change, cybersecurity concerns, and the digital skills gap arise. Despite hurdles, digitalization yield benefits such as enhanced efficiency, innovation, and competitiveness. The study also explores future trends, including artificial intelligence, blockchain, and sustainable digital practices. This literature review contributes to understanding digitalization's influence, informing strategic decision-making, and guiding future research in the dynamic area of digital transformation.

Keywords: digitalization, organizational transformation, digital strategies, ethical considerations

INTRODUCTION

In the evolving landscape of contemporary business, digitalization has become the new norm for the way organizations operate, strategize, and interact within their environments. The emergence of digital technology is forcing a paradigm shift that calls into question long-standing procedures and demands a close analysis of organizational structures, policies, and tactics. Businesses' operations are significantly impacted by the growing use and integration of digital tools in their operations. Everything is impacted by these changes, from internal processes to external relationships with partners and customers.
Digitalization is important because it can completely rewrite the rules around the functioning of organizations, in addition to its technological benefits. The effects of digitalization go far beyond the simple combination of hardware and software, including data-driven decision-making and improved communication routes. Businesses must adjust to this ever-changing landscape, negotiating tricky terrain where creativity, adaptability, and a digital mentality are essential for success.

This study explores the literature on the digitization of organizations to understand the many aspects and consequences of this revolutionary process. The growing integration of digital technologies into business operations necessitates the identification of trends, obstacles, and possibilities within the current academic debate. By doing this, we hope to address the central research question that directs this investigation: What can we learn about the digitalization of organizations from the literature that has already been published?

LITERATURE REVIEW

The phenomenon of digitalization has spread widely, influencing conversations on a variety of topics such as information systems, management, and innovation, and it goes beyond academic fields.

Digitalization refers to the profound transformation of organizations driven by the integration of digital technologies into all aspects of their operations. Digitalization is the extensive overhaul of organizations propelled by the infusion of digital technologies across all facets of their operations. It goes beyond adopting new software or gadgets, emphasizing a reevaluation of work methods, decision-making
processes, and value delivery in the digital era. This necessitates adopting a digital mindset, cultivating an innovative and adaptable culture, and utilizing technology to streamline processes, boost efficiency, and unlock novel possibilities. In essence, digitalization revolves around utilizing technology's potential to reshape organizations and flourish in the constantly evolving digital terrain.

Defining and classifying important terms that are essential to the discourse is necessary to navigate the vast literature on digitalization. The term 'digital transformation' encapsulates the holistic organizational change facilitated by digital technologies, involving a fundamental reevaluation of business processes, customer interactions, and value propositions (Henderson & Venkatraman, 1999). 'Industry 4.0' denotes the fourth industrial revolution, characterized by the integration of digital technologies into manufacturing processes (Schwab, 2017). 'Digitization' refers to the conversion of analogue data into digital form, marking the foundational step toward a digitalized organizational environment. This section offers a thorough analysis of the body of research on the topic of digitalization in companies with the goal of highlighting trends, defining important ideas, and investigating the theoretical frameworks that guide our comprehension of the process.

**Multidisciplinary Perspectives on Digitalization**

A vast amount of information about how companies deal with the benefits and problems posed by digital technologies may be found in the literature on digitalization in management. The strategic ramifications of digitalization have been thoroughly studied by management scholars (Westerman et al., 2014), who have emphasized that businesses must adapt their business strategy to the rapidly changing technological landscape. A lot of attention has also been paid to the human and cultural aspects of digital transformation, which has helped to clarify how organizational culture (Schein, 2010) and leadership styles (Bass et al., 2003) affect the outcome of digital projects.

Research on the technological elements of digitalization in the field of information systems has clarified the function of new technologies such as cloud computing (Armbrust et al., 2010), big data analytics (Chen et al., 2012), and the Internet of Things (Porter et al., 2015). With a focus on how new technologies affect efficiency, data-driven decision-making, and overall organizational performance, their integration into organizational processes has become a central issue.

The literature on innovation advances knowledge about digitalization by emphasizing how it might stimulate creativity in businesses (Hund et al., 2021). Innovation is seen as both a product and a process that is influenced and made possible by digital technologies. This viewpoint emphasizes how organizational innovation and technology breakthroughs interact dynamically. Figure 2 below represents the disciplines where the process of the digitalization in organization intertwines in academic research.

**Figure 2: Required areas to cover the multidisciplinary perspectives on digitalization.**
Theoretical Frameworks and Models

Understanding the complexities of digitalization within firms necessitates the exploration of theoretical frameworks and models that provide structured approaches to analyzing and guiding this transformative process. These frameworks offer conceptual lenses through which to examine the key drivers, stages, and outcomes of digitalization. Various theoretical frameworks and models have been employed to conceptualize and understand the digitalization process. Some of the most well-known frameworks and models are included in Table 1 below:

<table>
<thead>
<tr>
<th>Tool Name</th>
<th>Type</th>
<th>Explanation</th>
<th>Author</th>
</tr>
</thead>
<tbody>
<tr>
<td>The Resource-Based View (RBV)</td>
<td>Framework</td>
<td>Assesses how digital capabilities become strategic resources contributing to a firm’s competitive advantage</td>
<td>(Madhani, 2010)</td>
</tr>
<tr>
<td>The Technology-Organization-Environment (TOE) Framework</td>
<td>Framework</td>
<td>Provides a lens to examine interactions between technological, organizational, and environmental factors influencing digital adoption</td>
<td>(Baker, 2012)</td>
</tr>
<tr>
<td>Dynamic Capabilities Framework</td>
<td>Framework</td>
<td>Applied to investigate how organizations build and leverage digital capabilities over time</td>
<td>(Teece et al., 1997)</td>
</tr>
<tr>
<td>Digital Transformation Framework</td>
<td>Framework</td>
<td>Emphasizes the interdependence between technology, markets, and organizational capabilities for successful digital transformation</td>
<td>(Frischauf et al., 2018)</td>
</tr>
<tr>
<td>Business Model Navigator Framework</td>
<td>Framework</td>
<td>Provides a structured approach for analyzing and redesigning business models in the context of digitalization</td>
<td>(Gassmann et al., 2020)</td>
</tr>
<tr>
<td>Stages of Digital Transformation Model</td>
<td>Model</td>
<td>Outlines a sequential progression of stages organizations typically go through during digital transformation</td>
<td>(Berghaus &amp; Back, 2016)</td>
</tr>
<tr>
<td>Technology Acceptance Model (TAM)</td>
<td>Model</td>
<td>Explores factors influencing individuals’ adoption of new technologies,</td>
<td>(Davis &amp; others, 1989)</td>
</tr>
<tr>
<td>Diffusion of Innovations Theory</td>
<td>Model</td>
<td>Examines how innovations spread within organizations and across industries.</td>
<td>(Rogers et al., 2014)</td>
</tr>
</tbody>
</table>

Source: Authors’ own
By employing these theoretical frameworks and models, firms can gain valuable guidance in navigating the complexities of digitalization, identifying critical factors for success, and optimizing their transformation journey.

In summary, the literature review underscores the interdisciplinary nature of the digitalization discourse, encompassing management, information systems, and innovation studies. By defining key concepts and exploring theoretical frameworks, this review establishes a foundation for the subsequent exploration of digitalization's implications on organizational structures, processes, and strategies.

**Drivers of Digitalization**

Organizational transformation is shaped by a complex web of interconnected internal and external variables that push the drive toward digitalization. Interpreting the complex dynamics at work requires an understanding of the forces driving firms' adoption of digitalization. To highlight the drivers of digitalization, we need to look at the general knowledge and common themes found in the literature on digitalization and organizational change. Technological advancements, market competition and customer experience are widely recognized in academic research, industry reports, and expert opinions as key factors influencing organizations to embrace digitalization.

**Technological advancements** stand as a chief catalyst for digitalization. The rapid evolution of digital technologies, encompassing artificial intelligence, cloud computing, and data analytics, presents organizations with unprecedented opportunities to enhance operational efficiency, innovate business processes, and deliver new value propositions. The integration of AI allows for automation, predictive analytics, and enhanced decision-making, thereby driving organizations to adopt these technologies to stay competitive (Bharadiya, 2023; Brynjolfsson & McAfee, 2017). IoT enables connectivity and data exchange between devices, fostering operational efficiency and innovation in product or service offerings (Manyika et al., 2015; Sestino et al., 2020). Cloud computing facilitates scalable and flexible IT infrastructure, reducing costs and improving organizational agility (Bughin et al., 2018; Olsen, 2002). Organizations keen on staying competitive recognize the imperative of integrating these technologies into their operational structure (Eckert & Osterrieder, 2020).

**Market competition** serves as another compelling force compelling organizations to embark on digitalization journeys. The digital landscape has intensified competition, compelling organizations to embrace digital strategies to gain a competitive edge. In an environment characterized by disruptive entrants and evolving consumer preferences, digitalization becomes a strategic imperative for survival. Digitalization enables organizations to respond more swiftly to market changes, understand customer needs, and deliver personalized experiences, which is crucial for maintaining a competitive advantage (Westerman et al., 2014). The adoption of digital strategies allows organizations to explore new markets and business models, fostering innovation and differentiation (Bharadwaj et al., 2013). Companies that fail to adapt to digital trends risk being outpaced by more agile and digitally savvy competitors (Bughin et al., 2018). The ability to swiftly adapt to changing market dynamics and deliver superior customer experiences hinges on an organization's adeptness in leveraging digital technologies.

**Customer expectations**, shaped by the seamless experiences offered by digitalism, act as a potent driver for digitalization. Changing consumer behaviors and expectations necessitate organizations to align their strategies with evolving customer preferences. (Zaoui & Souissi, 2020). Modern consumers demand personalized, real-time interactions, and digitalization becomes the means through which organizations...
meet these expectations. The integration of Customer Relationship Management (CRM) systems, social media listening tools, and personalized marketing platforms reflects the shift toward more customer-centric processes (Verhoef et al., 2017). Customer expectations for seamless, personalized, and digitally-enabled experiences drive organizations to invest in digital strategies to meet these evolving demands (Marcus, 2021). Customer-centric digital strategies are essential for building and maintaining competitive advantage in a digitally driven marketplace.

**Digitalization Strategies**

Companies use a variety of tactics to start the digitalization process because they understand how important it is to navigate the digital environment. These tactics cover a wide range of techniques, from technology-driven projects to thorough cultural changes and organizational reorganizations.

- Technology-driven initiatives form the basis of many digitalization strategies. Organizations invest in cutting-edge technologies to overhaul their operational processes and enhance efficiency (Luftman & McLean, 2004). This includes the implementation of enterprise resource planning (ERP) systems, adoption of cloud computing, and integration of data analytics tools. The objective is to create a digitally agile infrastructure capable of responding to evolving market demands.

- Cultural changes are integral to successful digitalization efforts (Ross et al., 2019). Organizations strive to cultivate a digital mindset within their workforce, fostering a culture of innovation, adaptability, and continuous learning. This cultural transformation is crucial for enabling employees to embrace and drive digital initiatives, ultimately determining the success of digitalization strategies.

- Organizational restructuring often accompanies digitalization efforts as organizations seek to align their structures with the demands of the digital age (Brynjolfsson & McAfee, 2017). This may involve the creation of cross-functional digital teams, the establishment of innovation hubs, or the reevaluation of hierarchical structures to facilitate faster decision-making. The goal is to create organizational designs that are conducive to agility and innovation.

- Case studies of organizations that have effectively implemented digitalization strategies offer valuable insights into best practices and lessons learned (Parviainen et al., 2017). Examining successful digitalization journeys provides practical examples of how organizations have navigated challenges, harnessed opportunities, and achieved tangible outcomes through strategic digital initiatives.

Companies that use a multifaceted approach highlight the importance of starting the digitization process and stress its crucial role in managing the ever-changing digital landscape. Establishing a digitally agile infrastructure, fostering an innovative culture, and strategically aligning organizational structures to thrive in the constantly changing digital landscape is essential for success in digitalization, regardless of whether the efforts are driven by technology, cultural shifts, or organizational restructuring. Valuable insights for organizations venturing into their digitalization journey can be gleaned from case studies, shedding light on both practical successes and challenges.
IMPACT ON DIGITALIZATION IN ORGANIZATIONAL PROCESSES

Organizational processes are significantly impacted by the digitalization of businesses, which has an impact on how work is done, choices are made, and value is provided. Analyzing the effects on organizational procedures reveals the complex interplay between operational dynamics and digitalization.

- Digitalization significantly transforms communication within organizations. The advent of collaborative tools, digital platforms, and real-time communication technologies has redefined how teams interact and share information (Lang & Lang, 2021; Leonardi & Meyer, 2015). Digital communication channels break down geographical barriers, facilitating seamless collaboration among dispersed teams (Lanzolla et al., 2020). Moreover, the integration of chatbots and virtual assistants streamlines internal communication processes, enhancing efficiency.

- Data-driven decision-making emerges as a central tenet of digitalized organizational processes (Davenport et al., 2010). The influx of data from various sources, coupled with advanced analytics capabilities, empowers organizations to make informed decisions (Colombari et al., 2023). From predictive analytics guiding strategic choices to real-time data informing operational adjustments, digitalization enhances the precision and agility of decision-making processes.

- Collaborative workspaces and digital platforms foster innovation and creativity within organizational processes (Cao et al., 2016). Cross-functional teams can seamlessly collaborate on projects, leveraging digital tools for ideation, prototyping, and feedback (Füzi et al., 2022). This democratization of innovation accelerates the pace of product development and problem-solving.

- Organizations leveraging digitalization experience a shift toward more customer-centric processes (Brinch, 2018; C Verhoef, 2016). The integration of customer relationship management (CRM) systems, social media listening tools, and personalized marketing platforms enables organizations to understand and respond to customer needs in real time (Rane et al., 2023). This results in more tailored products, services, and customer experiences.

Organizational processes are significantly altered by digitalization, which has an impact on innovation, communication, and decision-making. The adoption of customer-centric procedures underscores the revolutionary power of digital technologies, putting businesses in a position to be more efficient and adaptable in a changing business environment.

Challenges and Barriers in Digitalization Process

While the journey toward digitalization holds promises of enhanced efficiency and innovation, organizations encounter a spectrum of challenges and barriers that demand careful consideration. Understanding and addressing these impediments is crucial for ensuring the successful execution of digitalization initiatives (see Table 2).
Table 2: Challenges to digitalization process within organizations

<table>
<thead>
<tr>
<th>Challenge/Barrier</th>
<th>Author</th>
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<tbody>
<tr>
<td>Resistance to change</td>
<td>Oreg (2003)</td>
</tr>
<tr>
<td>Cybersecurity</td>
<td>Herath &amp; Rao (2017)</td>
</tr>
<tr>
<td>Digital skills gap within the workforce</td>
<td>Van Deursen &amp; Van Dijk (2015)</td>
</tr>
<tr>
<td>Integration challenges</td>
<td>Bharadwaj et al. (2013)</td>
</tr>
</tbody>
</table>

Source: Authors’ own.

One of the foremost challenges in the digitalization process is resistance to change among employees (Oreg, 2003). The integration of new technologies often disrupts established routines and work processes, leading to apprehension and reluctance. Overcoming this resistance requires effective change management strategies, clear communication, and fostering a culture of adaptability.

Cybersecurity emerges as a paramount concern in the digitalization landscape (Herath & Rao, 2009; Moşteanu, 2020). The increased reliance on digital platforms and the interconnectedness of systems expose organizations to cyber threats. Safeguarding sensitive data, protecting against cyberattacks, and ensuring compliance with data protection regulations become critical aspects of digitalization efforts.

The need for digital skills within the workforce represents a significant barrier to successful digitalization (Van Deursen & Van Dijk, 2015). As organizations adopt advanced technologies, there arises a demand for a workforce equipped with digital literacy, data analytics skills, and a proficiency in leveraging digital tools. Bridging the digital skills gap through training and education becomes imperative.

Integration challenges also arise during the digitalization process, particularly when existing legacy systems need to coexist with new technologies (Bharadwaj et al., 2013). Ensuring seamless interoperability and data flow between different systems and platforms requires careful planning and execution.

Thus, overcoming employee resistance, prioritizing cybersecurity, bridging the digital skills gap, and managing integration challenges are critical for a successful digitalization journey.

Organizational Performance and Outcomes

Understanding the impact of digitalization on organizational performance metrics is essential for comprehending the holistic effects on innovation, efficiency, and competitiveness. Firstly, digitalization significantly influences organizational performance metrics, contributing to enhanced efficiency and effectiveness (Brynjolfsson & McAfee, 2017). Through the integration of advanced technologies, organizations streamline operational processes, reduce time-to-market, and optimize resource utilization. These efficiency gains are reflected in quantitative measures such as reduced production costs, faster time-to-delivery, and improved resource allocation.

Moreover, digitalization serves as a catalyst for innovation within organizations (Hund et al., 2021). The infusion of digital technologies into various aspects of business operations fosters a culture of continuous innovation. From product development to service delivery, organizations leverage digital tools to experiment, iterate, and bring novel ideas to fruition. Innovation outcomes manifest in the form of new products, services, and business models. Furthermore, competitiveness is a key dimension of organizational performance impacted by digitalization (Westerman et al., 2014). Organizations
leveraging digital capabilities gain a strategic advantage by responding swiftly to market changes, understanding customer needs, and delivering personalized experiences. Digitalization contributes to competitive advantage by enabling organizations to adapt and thrive in dynamic and uncertain business environments.

Last, but not least, quantitative outcomes of digitalization are evident in various performance metrics, including increased market share, revenue growth, and return on investment (Bharadwaj et al., 2013). Additionally, qualitative outcomes, such as improved customer satisfaction, employee engagement, and brand reputation, contribute to a more comprehensive understanding of the impact of digitalization on organizational success.

**IMPLICATIONS AND FUTURE WORK**

The speed at which digitalization is happening raises several ethical issues that need to be carefully considered. Organizations adopting digital technology are raising ethical questions about data security, privacy, and influence on society.

Data privacy emerges as a top ethical consideration in the digitalization landscape (Royakkers et al., 2018). The collection, storage, and utilization of massive amounts of personal data raise concerns about individuals' privacy rights. Organizations must establish robust data governance frameworks, ensure transparency in data practices, and adhere to regulatory standards to safeguard user privacy.

Security concerns in digitalization extend beyond protecting data to encompass safeguarding against cyber threats and breaches (Herath & Rao, 2009; Moșteanu, 2020). The interconnected nature of digital systems makes organizations vulnerable to cyberattacks, necessitating robust cybersecurity measures. Ethical considerations involve ensuring the confidentiality, integrity, and availability of data, as well as responsibly disclosing and mitigating security vulnerabilities.

Societal impact is a critical dimension of ethical considerations in digitalization (Van Dijk, 2016). As digital technologies permeate all aspects of society, organizations must assess and mitigate potential negative consequences. This includes addressing issues related to digital divides, social inequality, and the impact of automation on employment. Responsible digitalization requires organizations to actively contribute to societal well-being and inclusivity.

Steering these ethical challenges requires organizations to adopt a proactive and responsible approach. Establishing ethical guidelines, engaging in transparent communication with stakeholders, and integrating ethical considerations into decision-making processes are essential steps toward responsible digitalization (Turilli & Floridi, 2009). Organizations should prioritize ethical considerations not merely as compliance measures but as fundamental principles guiding their digital initiatives.

As the digitalization landscape continues to evolve, it is imperative to anticipate and explore future trends that will shape the trajectory of digital transformation. Understanding emerging technologies and their potential impact on the digital landscape is crucial for organizations seeking to remain at the forefront of innovation. One future trend in digitalization involves the continued integration of artificial intelligence (AI) and machine learning into organizational processes (Bughin et al., 2018). As AI technologies advance, organizations are poised to leverage machine learning algorithms for predictive
analytics, automation, and enhanced decision-making. The ethical implications of AI, including bias mitigation and responsible AI governance, will become central to future digitalization efforts.

Blockchain technology is anticipated to play a significant role in reshaping digital processes, particularly in ensuring transparency and security in transactions (Swan, 2015). The decentralized nature of blockchain has implications for data integrity, supply chain management, and digital identity. Exploring the ethical considerations and potential applications of blockchain in digitalization will be a key area of future research.

The Internet of Things (IoT) is ready to become more pervasive, connecting a multitude of devices and enabling seamless data exchange (Manyika et al., 2015). The integration of IoT into organizational processes has implications for data collection, connectivity, and operational efficiency. Research should focus on addressing ethical concerns related to data privacy, security, and the responsible use of IoT-generated data.

Digitalization's impact on sustainability and environmental responsibility is an emerging area of concern (Trier et al., 2023; Watson et al., 2010). Organizations will likely face increasing pressure to adopt eco-friendly digital practices, such as energy-efficient technologies and circular economy principles. Future research should explore the intersection of digitalization and sustainability, identifying best practices for environmentally responsible digital initiatives.

CONCLUSION

This thorough analysis has clarified the various experiences with digitization in businesses. We have used a range of scholarly works to go over the diverse discussion surrounding this transformative trip. The forces driving digitalization were found to include market competitiveness, technical improvements, and changing customer expectations. We looked at several tactics used by companies, such as technologically oriented projects, organizational reorganizations, and cultural changes. It was looked at how digitization affected different organizational processes like innovation, communication, and decision-making. The study also recognized the difficulties that come with the digitalization process, emphasizing the need to deal with problems like change aversion, cybersecurity worries, and the lack of digital skills. Moreover, the complex effects of digitalization on the performance of organizations—including increased productivity, creativity, and competitiveness—were examined.

In the future, we must pay close attention to the ethical issues raised by digitization. Organizations now need to take proactive and accountable measures in response to growing concerns about data privacy, security, and societal impact. Future technologies such as the Internet of Things, blockchain, and artificial intelligence (AI) integration must be anticipated as the digital world continues to change. The study shed light to the increasing focus on the intersection of sustainability and digitization, emphasizing the need for digital behaviors that are environmentally responsible.

In conclusion, this review has contributed to revealing the difficulties involved in organizational digitalization. Through the synthesis of current knowledge and the identification of potential research directions, this work contributes to a greater understanding of the transformative force reshaping the modern corporate world.
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