

Digital Transformation and Business Sustainability in the Digital Economy

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ABSTRACT

The rapid development of digital technologies has significantly transformed organizational processes, business models, and competitive dynamics within contemporary digital economies. Businesses increasingly integrate digital technologies into operational activities, strategic management, and innovation systems to improve competitiveness and long-term sustainability. The findings indicate that digital transformation contributes positively to organizational adaptability, innovation capability, business resilience, and competitive performance through technological integration and strategic transformation processes. However, the review also identifies significant organizational and governance challenges affecting transformation effectiveness, including limited digital capability, organizational readiness gaps, governance constraints, and unequal technological resources. In addition, SMEs frequently experience greater transformation barriers because of limited infrastructure, financial capability, and strategic preparedness. The study concludes that sustainable digital transformation depends not only on technological adoption but also on governance readiness, organizational capability, innovation systems, and adaptive strategic management capable of supporting long-term business sustainability within rapidly evolving digital economies.

Keywords: *Business Sustainability, Digital Capability, Digital Economy, Digital Transformation, Organizational Readiness.*

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1. | INTRODUCTION

The rapid development of digital technologies has significantly transformed contemporary economic systems by reshaping organizational processes, business models, and competitive dynamics within the digital economy. Businesses across different industries increasingly integrate digital technologies into operational activities, strategic decision-making, and market interactions to improve efficiency, competitiveness, and long-term sustainability. Hanelt et al. (2021) emphasize that digital transformation has become a major organizational phenomenon influencing strategy, structure, and operational change within modern businesses. Similarly, Gobble (2018) argues that digital transformation involves more than technological adoption because it fundamentally changes how organizations create value and respond to evolving economic environments. These developments demonstrate that digital transformation has become a critical component of business adaptation within increasingly digitalized economies. Consequently, organizations are under growing pressure to develop digital capabilities and adaptive strategies capable of responding to rapidly changing technological and market conditions.

The growing importance of digital transformation has also intensified discussions regarding its relationship with business sustainability and organizational competitiveness. Businesses increasingly utilize digital technologies to improve operational flexibility, innovation capability, customer engagement, and strategic resilience within dynamic economic environments. Leão and da Silva (2021) emphasize that digital transformation contributes to firms' competitive advantages by improving adaptability and organizational performance. Similarly, Wang et al. (2023) identify a strong relationship between digitalization, business model innovation, and business performance within digital economies. In addition, Heredia et al. (2022) highlight that digital capabilities significantly influence organizational resilience and competitive performance during periods of economic uncertainty and disruption. These findings indicate that digital transformation can strengthen organizational sustainability by improving adaptive capacity and innovation capability. As a result, digital transformation is increasingly viewed as an essential strategy for maintaining competitiveness and long-term business sustainability within digital economies.

The literature further demonstrates that small and medium-sized enterprises (SMEs) face unique opportunities and challenges within digital transformation processes. SMEs increasingly adopt digital technologies to improve competitiveness, market accessibility, and operational efficiency within rapidly evolving digital markets. Omrani et al. (2022) emphasize that organizational and technological drivers significantly influence digital transformation processes within SMEs. Similarly, Teng et al. (2022) identify a positive relationship between digital transformation and SME performance within digital business environments. However, SMEs often face limitations related to financial resources, technological infrastructure, organizational readiness, and managerial capability that may hinder successful transformation

processes. Matt and Rauch (2020) further argue that SMEs experience distinctive transformation challenges because of limited organizational resources and technological capabilities. These findings indicate that successful digital transformation depends not only on technological adoption but also on broader organizational readiness and adaptive capability. Consequently, transformation outcomes vary significantly across organizations depending on institutional and organizational conditions.

Despite the growing opportunities associated with digital transformation, recent literature also highlights the persistence of governance, organizational, and technological challenges affecting transformation success. Many organizations struggle to integrate digital technologies effectively due to inadequate governance structures, limited digital capability, and resistance to organizational change. Balakrishnan and Das (2020) emphasize that firms frequently need to reorganize internal structures and operational systems to implement digital transformation successfully. Similarly, Korachi and Bounabat (2020) argue that digital transformation requires coherent strategic planning and governance mechanisms capable of supporting technological integration and organizational adaptation. In addition, Soomro et al. (2020) identify organizational readiness as a critical factor influencing transformation effectiveness within digital environments. These findings demonstrate that digital transformation involves complex organizational and governance processes rather than simple technological implementation. Therefore, governance capability and organizational readiness become essential determinants of successful digital transformation.

Another important issue identified in the literature concerns the unequal distribution of digital capability and transformation readiness across organizations and economic environments. Businesses with stronger technological infrastructures, strategic resources, and innovation capabilities are generally more capable of adapting to digital transformation processes than organizations with limited resources and technological access. Greene (2021) argues that technological participation and digital adaptation are shaped by broader socio-economic inequalities influencing access to digital opportunities. Similarly, Sanchez and Zuntini (2018) emphasize that organizational readiness significantly affects the ability of firms to implement digital transformation effectively. In many contexts, unequal transformation capability creates disparities in competitiveness, innovation performance, and long-term business sustainability. These findings indicate that digital transformation may simultaneously create opportunities and deepen organizational inequality within digital economies. Consequently, understanding the relationship between transformation capability and organizational sustainability becomes increasingly important within digital economy discussions.

Although research on digital transformation has expanded substantially in recent years, existing studies often examine technological adoption, organizational change, competitiveness, or governance separately rather than synthesizing these dimensions

within a broader sustainability perspective. Many studies emphasize the positive impacts of digital transformation while giving less attention to the organizational readiness, governance capability, and structural limitations influencing transformation outcomes. This creates a fragmented understanding of how digital transformation simultaneously improves business adaptability while generating significant organizational and strategic challenges. Consequently, there remains a need for a more integrated synthesis of the literature examining the relationship between digital transformation, organizational capability, governance readiness, and business sustainability within digital economies. Addressing this gap is important for understanding the broader implications of digital transformation within contemporary business environments.

Based on these considerations, this study aims to systematically review the literature on digital transformation and business sustainability within the digital economy using a qualitative Systematic Literature Review (SLR) approach. The study focuses on analyzing how digital transformation influences organizational adaptability, competitiveness, innovation capability, and long-term business sustainability. In addition, the review examines the governance and organizational challenges associated with digital transformation processes, including organizational readiness, digital capability, technological inequality, and strategic adaptation. Snyder (2019) emphasizes that systematic literature reviews enable researchers to identify conceptual relationships and broader research trends within complex academic domains. Furthermore, Page et al. (2021) highlight that PRISMA-based review methodologies improve transparency and rigor in evidence synthesis. Through thematic synthesis, this study seeks to provide a more comprehensive understanding of how digital transformation reshapes organizational sustainability and competitiveness within contemporary digital economies.

2. | LITERATURE REVIEW

Digital Transformation and Digital Economy

The rapid development of digital technologies has significantly reshaped organizational processes and economic activities within contemporary digital economies. Digital transformation refers to the integration of digital technologies into organizational operations, strategic management, and business models to improve efficiency, innovation capability, and competitiveness. Hanelt et al. (2021) emphasize that digital transformation involves broader organizational and strategic changes rather than simple technological implementation. Similarly, Rêgo et al. (2022) argue that digital transformation increasingly influences strategic management processes and organizational adaptation within modern business environments. These developments indicate that digital transformation has become a major component of economic restructuring within digitally mediated economies. Consequently, organizations increasingly rely on technological integration and digital capability to maintain relevance and competitiveness within rapidly evolving economic systems.

The literature further demonstrates that digital transformation contributes to business modernization through technological innovation and adaptive organizational processes. Gobble (2018) highlights that digital transformation changes how firms create value and respond to changing market dynamics within digital economies. In addition, Mahmood et al. (2019) identify that digital transformation significantly influences organizational structures, operational systems, and decision-making processes. These findings suggest that digital transformation reshapes both internal organizational activities and broader economic interactions. However, the literature also indicates that transformation outcomes vary depending on organizational capability, governance structures, and technological readiness. Therefore, digital transformation should be understood as a multidimensional process involving technological, organizational, and strategic adaptation simultaneously.

Business Sustainability and Competitiveness

Business sustainability and organizational competitiveness have become increasingly connected to digital transformation within contemporary digital economies. Organizations utilize digital technologies to improve operational flexibility, innovation capability, customer engagement, and long-term strategic resilience. Leão and da Silva (2021) emphasize that digital transformation contributes to firms' competitive advantages by improving adaptability and organizational responsiveness within dynamic market environments. Similarly, Wang et al. (2023) identify a strong relationship between digitalization, business model innovation, and business performance. These findings indicate that digital transformation can strengthen organizational sustainability through improved innovation capability and strategic competitiveness. As a result, digital transformation is increasingly viewed as an essential component of sustainable business development.

The literature also demonstrates that organizational sustainability depends heavily on the ability of firms to adapt to technological change and evolving market conditions. Heredia et al. (2022) argue that digital capabilities significantly influence organizational resilience and business performance during periods of disruption and uncertainty. Similarly, Kő et al. (2022) emphasize that digital agility and innovation capability improve competitiveness within digital business environments. In addition, van Tonder et al. (2020) highlight the importance of business model innovation in supporting sustainable organizational transformation. These findings suggest that digital transformation contributes to long-term organizational sustainability by improving adaptive capacity and innovation performance. Consequently, sustainable competitiveness increasingly depends on organizational capability to integrate digital technologies effectively within business operations and strategic processes.

Organizational Readiness and Governance Capability

Successful digital transformation requires organizational readiness and governance capability capable of supporting technological integration and strategic adaptation.

Organizational readiness involves the ability of firms to prepare technological infrastructure, leadership capability, human resources, and strategic alignment necessary for transformation processes. Soomro et al. (2020) emphasize that digital readiness significantly influences organizational capability to implement digital transformation effectively. Similarly, Sanchez and Zuntini (2018) argue that transformation readiness affects organizational capacity to respond to technological change and competitive pressures. These findings indicate that transformation success depends not only on technological adoption but also on broader organizational preparedness and governance structures. Therefore, organizational readiness becomes a critical factor influencing digital transformation outcomes.

The literature further highlights the importance of governance capability in managing digital transformation processes within organizations. Balakrishnan and Das (2020) emphasize that firms frequently reorganize internal structures and operational systems to support digital transformation implementation. Similarly, Korachi and Bounabat (2020) argue that digital transformation requires coherent strategic planning and governance mechanisms capable of coordinating organizational change. In addition, Jewer and Van Der Meulen (2022) identify governance adaptation as an essential component of effective digital transformation management. These findings demonstrate that governance capability influences organizational adaptability, strategic coordination, and technological integration within digital transformation processes. Consequently, governance systems play a major role in determining the effectiveness and sustainability of organizational transformation initiatives.

Digital Capability and Innovation Performance

Digital capability represents one of the most important determinants of organizational competitiveness and transformation effectiveness within digital economies. Businesses increasingly depend on technological capability, innovation systems, and digital expertise to improve performance and maintain competitiveness within rapidly evolving economic environments. Wielgos et al. (2021) emphasize that digital business capability significantly affects organizational and customer performance within digital markets. Similarly, Heredia et al. (2022) highlight that technological capability mediates the relationship between digital transformation and firm performance. These findings indicate that digital capability strengthens organizational adaptability and supports sustainable business growth. Consequently, organizations with stronger digital capability are generally more capable of responding to market disruptions and technological changes.

The literature also demonstrates that innovation capability plays a major role in supporting successful digital transformation and business sustainability. Tekic and Koroteev (2019) identify different strategic approaches to digital transformation depending on organizational innovation orientation and adaptation capability. In addition, Omrani et al. (2022) emphasize that innovation drivers significantly influence

transformation effectiveness within SMEs. These findings suggest that innovation capability supports organizational flexibility, strategic responsiveness, and competitiveness within digital business environments. However, the literature also indicates that organizations with limited digital capability and innovation resources may struggle to implement transformation processes effectively. Therefore, digital capability and innovation performance become critical factors influencing long-term organizational sustainability within digital economies.

Transformation Challenges and Sustainability

Despite the opportunities associated with digital transformation, the literature consistently identifies significant organizational and strategic challenges affecting transformation processes. Many organizations face difficulties related to technological integration, financial limitations, resistance to organizational change, and inadequate strategic coordination. Pelletier and Cloutier (2019) emphasize that SMEs often experience technological and organizational barriers that hinder digital transformation implementation. Similarly, Matt and Rauch (2020) argue that SMEs face unique challenges associated with limited resources, infrastructure constraints, and technological capability gaps. These findings indicate that transformation processes involve complex organizational adjustments rather than simple technological implementation. As a result, transformation outcomes vary significantly depending on organizational conditions and strategic preparedness.

Another important issue identified in the literature concerns the unequal distribution of transformation capability across organizations and economic environments. Businesses with stronger technological infrastructure, governance systems, and innovation resources are generally more capable of adapting to digital transformation processes than organizations with limited digital capability. Greene (2021) argues that technological participation and adaptation are influenced by broader socio-economic inequalities affecting access to digital opportunities. Consequently, digital transformation may simultaneously improve competitiveness while reinforcing organizational disparities within digital economies. These findings demonstrate that sustainable digital transformation requires broader organizational readiness, governance adaptation, and strategic capability development. Therefore, understanding the relationship between transformation capability, organizational sustainability, and digital inequality remains essential within contemporary digital economy discussions.

3. | RESEARCH METHOD

This study employs a qualitative Systematic Literature Review (SLR) approach to examine the relationship between digital transformation and business sustainability

within contemporary digital economies. A systematic literature review enables researchers to synthesize existing academic literature in a structured and transparent manner while identifying conceptual relationships, theoretical developments, and research trends across complex research domains. Snyder (2019) emphasizes that literature reviews are important for developing broader conceptual understanding and identifying gaps within emerging academic fields. Similarly, Linnenluecke et al. (2020) highlight that systematic review methodologies improve the rigor and reliability of knowledge synthesis through transparent analytical procedures. Through this approach, the study seeks to provide a comprehensive understanding of how digital transformation influences organizational adaptability, competitiveness, innovation capability, and long-term business sustainability within digitally mediated economic environments. Consequently, the review focuses not only on the opportunities associated with digital transformation but also on the governance and organizational challenges affecting transformation outcomes.

The literature review process follows the PRISMA 2020 framework to ensure methodological transparency, consistency, and rigor throughout the identification and selection of academic sources. Page et al. (2021) emphasize that PRISMA guidelines improve systematic review quality through structured procedures involving identification, screening, eligibility assessment, and inclusion stages. Academic literature was collected from major scholarly databases, including Scopus, Google Scholar, ScienceDirect, Springer, Emerald, and Taylor & Francis. The search process utilized combinations of keywords related to digital transformation, business sustainability, organizational readiness, digital capability, digital competitiveness, business model innovation, and governance adaptation. Inclusion criteria focused on peer-reviewed journal articles, conference papers, scholarly books, and institutional publications published between 2018 and 2024 that directly addressed organizational transformation and sustainability within digital economies. Studies focusing exclusively on highly technical software engineering or unrelated technological systems were excluded from the analysis. This process ensured that the selected literature remained aligned with the objectives and analytical focus of the study.

Following the literature selection process, the identified studies were analyzed using a qualitative thematic synthesis approach to identify recurring themes, conceptual patterns, and broader relationships within digital transformation research. Thematic synthesis enables researchers to compare findings across studies while generating broader analytical interpretations regarding complex organizational and economic phenomena. The selected literature was categorized into several thematic areas, including digital transformation, organizational change, business sustainability, digital capability, organizational readiness, governance adaptation, competitiveness, and transformation challenges. This classification process enabled the study to examine how digital transformation influences organizational adaptability and long-term business sustainability within digital economies. In addition, thematic synthesis facilitated the identification of recurring barriers affecting transformation effectiveness,

including technological inequality, capability limitations, governance challenges, and strategic adaptation difficulties. Consequently, the study provides an integrated conceptual synthesis rather than isolated summaries of individual studies.

The analytical process further emphasizes the relationship between organizational capability, governance readiness, and sustainable digital transformation within contemporary business environments. The reviewed studies were examined not only for their discussion of technological innovation and competitiveness but also for their analysis of organizational preparedness, strategic coordination, and transformation sustainability. This approach enabled the study to analyze both the opportunities and structural challenges associated with digital transformation processes. Furthermore, the analysis focused on how organizations adapt to technological change through governance capability, innovation systems, and digital integration strategies. By integrating these dimensions, the study seeks to provide a balanced understanding of how digital transformation simultaneously creates opportunities for organizational sustainability while generating significant transformation challenges. Therefore, the qualitative SLR approach enables the study to generate broader insights regarding the governance-dependent and capability-driven nature of sustainable digital transformation within contemporary digital economies.

4. | RESULTS

The reviewed literature demonstrates that digital transformation has become a major driver of organizational adaptation and business sustainability within contemporary digital economies. Businesses increasingly integrate digital technologies into operational systems, strategic management, and customer interactions to improve efficiency, competitiveness, and long-term resilience. Digital transformation contributes to organizational modernization by enabling firms to optimize business processes, improve decision-making capability, and increase responsiveness to rapidly changing market conditions. The literature consistently identifies digital transformation as a critical mechanism supporting business adaptability within digitally mediated economic environments. In addition, digital transformation facilitates innovation and operational flexibility through the integration of digital infrastructures and technology-driven business models. Consequently, organizations increasingly depend on digital capability and technological integration to maintain competitiveness within contemporary digital economies.

The findings further indicate that digital transformation contributes positively to business sustainability and organizational competitiveness through innovation capability and adaptive strategic processes. Businesses implementing digital transformation strategies are generally more capable of responding to technological disruption, evolving consumer expectations, and dynamic market competition. The reviewed studies demonstrate that digital technologies improve organizational performance by strengthening business model innovation, operational agility, and strategic responsiveness. In addition, digital transformation supports long-term

organizational sustainability by increasing firms' capacity to adapt to economic uncertainty and rapidly evolving business environments. These findings suggest that digital transformation is closely associated with competitive advantage and organizational resilience within digital economies. However, the literature also indicates that transformation outcomes vary significantly depending on organizational capability and governance readiness.

Despite the opportunities associated with digital transformation, the reviewed studies consistently identify organizational readiness as a major factor influencing transformation effectiveness. Successful digital transformation requires not only technological adoption but also organizational preparedness, leadership capability, strategic coordination, and internal adaptation processes. Many organizations experience difficulties in implementing transformation initiatives due to inadequate digital infrastructure, limited technological expertise, resistance to organizational change, and weak governance coordination. In addition, SMEs frequently face greater transformation barriers because of limited financial resources, technological capability gaps, and insufficient organizational support systems. These findings indicate that transformation success depends heavily on organizational readiness and adaptive capability rather than technological implementation alone. As a result, digital transformation remains uneven across organizations with different institutional and technological capacities.

The literature also highlights the growing importance of governance capability in supporting sustainable digital transformation processes. Organizations increasingly require governance structures capable of coordinating technological integration, organizational restructuring, and strategic adaptation within complex digital environments. Effective governance mechanisms influence decision-making processes, innovation management, resource allocation, and organizational coordination during transformation initiatives. In many cases, firms with stronger governance capability are more successful in integrating digital technologies and sustaining transformation processes over the long term. Furthermore, governance adaptation enables organizations to respond more effectively to technological disruption and market uncertainty within digital economies. These findings demonstrate that governance capability plays a central role in determining the sustainability and effectiveness of digital transformation initiatives.

Another important finding identified in the literature concerns the unequal distribution of digital capability and transformation resources across organizations and economic environments. Businesses with stronger technological infrastructures, innovation systems, and strategic resources are generally more capable of adapting to digital transformation than organizations with limited capability and technological access. These disparities significantly influence competitiveness, organizational performance, and long-term business sustainability within digital economies. In addition, unequal digital readiness may widen organizational gaps between

technologically advanced firms and organizations with limited transformation capability. The literature further suggests that digital transformation may simultaneously improve economic competitiveness while reinforcing organizational inequality within digitally mediated business systems. Consequently, transformation capability becomes a critical determinant of organizational sustainability and competitive positioning within digital economies.

5. | DISCUSSION

Overall, the reviewed literature demonstrates that digital transformation should be understood as a complex organizational capability process rather than merely technological adoption. While digital transformation creates significant opportunities for organizational innovation, competitiveness, and sustainability, successful transformation outcomes depend heavily on governance readiness, digital capability, strategic adaptation, and organizational resilience. The findings indicate that sustainable digital transformation requires integrated approaches combining technological integration, governance coordination, innovation capability, and organizational preparedness. In addition, organizations must continuously adapt to rapidly evolving technological and economic conditions to maintain long-term competitiveness within digital economies. These findings suggest that business sustainability within digital economies is increasingly determined by the ability of organizations to manage transformation processes effectively. Therefore, digital transformation represents both an opportunity and a strategic challenge for organizations operating within contemporary digital economic environments.

6. | CONCLUSION

This study concludes that digital transformation has become a major determinant of organizational sustainability and competitiveness within contemporary digital economies. The reviewed literature consistently demonstrates that digital transformation contributes to business modernization through technological integration, organizational adaptation, innovation capability, and strategic flexibility. Businesses increasingly rely on digital technologies to improve operational efficiency, customer engagement, business model innovation, and long-term resilience within rapidly evolving economic environments. In addition, digital transformation enables organizations to respond more effectively to technological disruption and changing market dynamics. These developments indicate that digital transformation plays an increasingly important role in shaping organizational competitiveness and sustainable business performance within digital economies. However, the findings also demonstrate that successful transformation outcomes depend on broader organizational and governance conditions rather than technological adoption alone.

The findings further reveal that organizational readiness, governance capability, and digital capability remain critical factors influencing the effectiveness and sustainability of digital transformation processes. Many organizations continue to face

significant transformation challenges related to limited technological infrastructure, insufficient digital expertise, weak governance coordination, and resistance to organizational change. SMEs are particularly vulnerable to these challenges because of limited financial resources, capability constraints, and unequal access to digital technologies. In addition, unequal transformation capability across organizations may reinforce disparities in competitiveness, innovation performance, and long-term business sustainability within digital economies. These findings indicate that digital transformation may simultaneously generate opportunities for business growth while increasing organizational inequality and adaptation gaps. Consequently, sustainable transformation requires integrated organizational strategies capable of balancing technological innovation with governance readiness and strategic adaptability.

Finally, this study emphasizes that sustainable digital transformation requires governance systems and organizational structures capable of supporting continuous adaptation within rapidly evolving digital environments. Policymakers and business leaders should prioritize investments in digital capability development, organizational readiness, innovation systems, and adaptive governance mechanisms to strengthen long-term business sustainability. In addition, organizations should develop transformation strategies that integrate technological adoption with broader organizational restructuring and strategic coordination processes. Future research may further explore sectoral differences, regional transformation disparities, and long-term organizational impacts associated with digital transformation within emerging digital economies. By synthesizing existing literature, this study contributes to a broader understanding of how digital transformation influences organizational sustainability, competitiveness, and adaptive resilience within contemporary digital economic systems.

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Declaration of Conflicting Interests

The authors declare that there is no conflict of interest.

Ethical Approval and Originality Statement

Ethical approval was obtained for this study. The manuscript represents original work and has not been previously published, nor is it under consideration by another journal.

Data Disclosure Statement

The data that support the findings of this study are available from the corresponding author upon reasonable request.

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