

## Unwrapping Digital Transformation Success; Does Digital Strategy and Employee Creative Capability Matter; Evidence from Banking Sector

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### Abstract:

The tremendous momentum and progress in digital transformation (DT) project across the world created new opportunities and challenges for organizations and individuals. The organizations struggle to effectively adapt to the growingly changing digital landscape as almost 90 percent of DT projects fail due to various reasons. Therefore, we examine the impact of digital business strategy (DBS) on DT success. The research also studies the mediating role of creative capability in this nexus. To study these nexuses, we collected data from employees working in the banking sector by employing the purposive sampling technique. The study results revealed that DBS is significantly linked to DT success and creative capability and is also positively mediating this relationship. Our research for the first time highlights an important role of creative capability in the linkages between DBS and DT success

**Key Words:** digital business strategy, digital transformation, creative capability, banking sector, information system

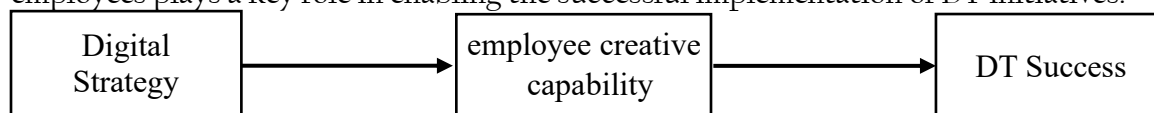
### Introduction

The tremendous momentum and progress in communication, network and information technologies field is to create new opportunities and challenges for organizations and individuals (Verhoef et al., 2021). The constant progression of these novel digital technologies, which is characterize by Bharadwaj et al. (2013) as “combinations of information, computing, communication, and connectivity technologies” needs organizational change (Merten et al., 2024). This change process is defined by Vial (2019) as digital transformation. Organization struggles to effectively adapt the growingly changing digital landscape, as Ramesh and Delen (2021) reported 90 percent failure rate of DT projects. The adoption of DT required an effective firm digital business strategy (DBS) (Mithas et al., 2013). However, a study found that almost 85 percent of organizations initiative their DT without proper digital strategy (Aditya et al. 2022). Plethora of researchers highlighted that well-defined digital strategy as a decisive factor of DT success (AlNuaimi et al., 2022; Bresciani et al., 2021). Most of the prior studies are qualitatively explore the role of digital strategy in successful DT (Chong and Duan, 2020; Gobble, 2018). In the literature review, Brown et al. (2019) found that research on the nexus between digital strategy and DT is still incipient and required more empirical studies.

By aligning digital technology initiatives with organization long-term objectives, digital strategy facilitates organizations to counter effectively to shifting market dynamics (Pagani, 2013). Digital strategy advances digital capabilities that bring transformation and innovation to the enterprise (Proksch et al., 2024). Similarly, creative or creativity capability also significantly contributed to digital initiatives (Bui and Le, 2023). Therefore, this research purpose to examine

how organizations effective digital strategy facilitate employees' creative capabilities to successfully accomplish DT. In the current competitive business atmosphere, the capability of the workforce to involve creative initiatives is gradually considered as an important driver of DT initiatives' success (McWilliam and Haukka, 2018). Creative ability among workers is vital for finding new potential opportunities, enhancing innovation, and solving complex issues (Sumantri et al., 2023). Regularly, discussions on task related developments and ideas contribute to a culture where knowledge generation and sharing are effortless and routine (Cai et al., 2020). Workers who collaborate successfully can integrate diverse novel ideas, leading to the formation of innovative service, work process and product (Alrasheedi et al., 2022). Therefore, the second question of our research is to examine the mediate effect of creative capability in the nexus of digital strategy and DT success. The purpose research model is depicted in Figure 1.

To address the above questions, we employ dynamic capabilities (DC) theory and examine the impact of digital strategy on organizational level DT success. Therefore, we realize the fact that organizations digitalization has promoted a plethora of complex interrelations among several elements the value chain that require to be examined and found. Scholars imply that digital strategy is associated with creativity of employees, hence this capability of employees plays a key role in enabling the successful implementation of DT initiatives.



**Figure 1 Research Model**

## Literature Review

### 2.1 Digital Business strategy and DT success

This research focuses on 05 types of DBS factors and their impact on the success of DT. Organizations plan, execute and develop a DBS with the objective of enhancing their digital transformation initiatives performance (Bharadwaj et al., 2013). The novel kind of strategic method needs organization to focus on different kinds of ways and capabilities of operating (Canhoto et al., 2021). When designing a DBS, various elements should be considered. Based on the result of prior studies, we find these factors as follows: goal, development, digital leadership, management capabilities, resources (Holopainen et al., 2024). In addition, researchers have identified that DT has caused in the progression of novel collaborative firm's networks (Ukko et al., 2019). Organizations must be intelligent to handle the operation of such a kind of collaboration.

DT is not just strategy creation or project, but a continuous development process that involves transformation tasks to develop flexibility, governance, expertise and interoperability (Proksch et al., 2024; sFischer et al., 2020). Progression in the external setting and the development of emerging technology gradually have made it compulsory to establish new business approaches, making the DBS concept crucial issue (Lee and Lee, 2020). Introducing novel digital technologies into enterprise, changed business model involve a focus on improvement and optimization (Alakas et al., 2024). Research in existing bodies literature indicates that there is a significant and strong nexus between these two variables. Mithas et al. (2013) investigated how DBS changes to the competitive atmosphere of firms and the impact of this DBS on DT and found that there are solid linkages between them. Another research explored the development of DT strategies prior to organizations digitalization and the positive impact of DBS on public image (Chanas et al., 2019). Our study explains the nexus between

DBS and DT success through DCT. DCT hinges on the organization capability to transform, seize, and sense in response to opportunities associated with digital transformation. A comprehensive and clear DBS supports the firms transform process, sense market instability and seize potential opportunities through reconfiguring organizational resources by enhancing innovation and agility, DC enables organizations to regularly evolve and adapt their DC, leading to higher DT success. This matching allows firms to accomplish sustainable growth in the prevailing digital era. Therefore, our study placed the hypothesis below:

**Hypothesis 1: DBS is positively linked to DT success.**

## 2.2 Mediating role of employees' creative capability

Employees' CC play an important mediating role in the nexus between DBS and DT success. Because a clear DBS set the innovative direction by finding opportunities related associated with digital and aligning organizational objectives (Alakas et al., 2024). For the successful execution of DBS, the worker force of organizations must aggressively contribute novel ideas and effective solutions to handle the problems during DT initiatives (Bui and Le, 2023). CC empowers workers to think, collaborate, critically and integrate knowledge in ways that improve the implementation of digital strategies (Napier and Nilsson, 2006). Because workers exchange pool their expertise and ideas, they facilitate translating organizational strategic digital objectives into actionable plans (Azadegan et al., 2008). This creative improvement improves agility in organization, enabling organizations to speedily adjust to technological instability and customer demand (AlTaweel et al., 2021). By improving employees' capability to innovate, firms can more successfully implement DT initiatives, leading to effective performance and sustainable success (Munoz-Pascual and Galende, 2020). Thus, employee CC acts as a key factor in understanding the complete potential of DBS during DT efforts.

As per the DCT, CC or knowledge acquisition is a key strategic supply that adds to excellent performance. As a result, CC is vital to organization competitive advantage, that has stimulated the consideration of various researchers (Ferreira et al., 2020). The company's capability is associated with its stakeholders and their societal experiences, the CC based on these individuals integrating and exchanging ideas and information (Ferreira et al., 2020). The ability of organization's creativity is shown by its representatives' capability to merge and share skills into new obtain knowledge and understanding the value of the interaction and discussion (MacLean et al., 2015). The capability to generate knowledge may lead towards higher performance in all initiatives.

An organization's sustainable advantages are attained through non-substitutable capital and its scarce. By generating awareness, new knowledge, CC and new knowledge generation facilitates in handling with digitalization initiatives. CC based on organizational stakeholders merging, sharing knowledge and information that is challenging to duplicate. Likewise, CC has significant effects on performance efficiency. We claim that DCT would offer a more informative and more robust interpretation of the linkages between CC and digital initiatives. Therefore, our research purposes are that CC is a key mediator between DBS and DT success. Hence, we placed the hypothesis below:

**Hypothesis 2: CC positively mediates the nexus between DBS and DT success.**

## Research Methodology

### Data collection process

Banking sector in Pakistan become the emerging sector where the adoption of digital technologies as primary tool to survive in prevailing digital landscape. Hence, we targeted various banks from Peshawar region to collect data for our research study. The respondents for our research were chosen through purposive sampling research techniques. The respondents

were zonal managers, branch managers and assistant managers of these banks. A total of 420 adopted survey questionnaires of prior researchers were distributed in various banks in which 340 were received with complete information. The SPSS was employed to analyze the gathered data. The complete demographic information is depicted in Table 1.

Table 1, the demographic detail of the study

Demographic information	Frequency	Percentage
<b>Gender</b>		
Male	207	61
Female	133	39
<b>Age</b>		
20-30	112	33
31-40	101	30
41-50	81	24
above 50	46	14
<b>Qualification</b>		
14 years	83	24
16 years	160	47
18 years	97	29
<b>Experience</b>		0
1-5	81	24
6-10	132	39
11-15	69	20
above 15	58	17

Table 2, Measurement scales

S#	Variable	Reference	Total Items
	DBS	Proksch et al. (2024)	5
2	Creative capability	Bui and Le et al. (2023)	6
3	DT success	Weritz et al. (2024)	16

### Results and discussion

The gathered data were evaluated through SPSS, containing the Process macro for mediating construct CC. At the end, our research employed a test of Sobel to check the mediating role of CC (Preacher and Hayes, 2004). Because the same respondents rate CC, DBS and DT success. The concern about an appeared possible “common method bias” CMB. So, Herman single factor technique was employed (Podsakoff et al., 2003). As for CMB various and Podsakoff et al. (2003) technique is extensively utilized for potential problems. Employing factors analysis by our research, a model in 05 factors was determined. While analysis our research identified no single factor bigger than fifty % of the result various. We observed the results of internal consistence were bigger than the recommended value, that confirms that all construct reliability was adequate as portrayed in Table 3. Furthermore, DBS to be significantly connected with DT success ( $r = 0.503$ ,  $p < 0.01$ ). The CC ( $r = 0.498$ ,  $p < 0.01$ ), whereas the dependent construct DT success also exhibiting positive correlation with DBS and CC ( $r = 0.446$ ,  $p < 0.01$ ). To check the mediation, model our study proposed, the PROCESS marc (Hayes, 2012) for software we have

use (SPSS). During this regression analysis, DBS was utilized as antecedents, CC as a mediator, and DT success an outcome construct as portrayed in Table 4.

**Table 3; correlations for current research study variables**

Construct	Cronbach's a	Correlations		
ODS	0.810	1		
Workforce agility	0.846	0.503**	1	
DT success	0.9077	0.498**	0.446**	1

Noted: -\*\* The correlation of variables is statistically significant at the 0.01 level using a (two-tailed test)

During the 1st stage, the study regression analysis of DBS on DT success, neglecting the CC, was significant,  $F(1,748) = 43.14, p < 0.001, R \text{ square} = 0.23, b = 0.16, t(156) = 4.765 \ \& \ p < 0.001$ . In the 2nd stage, the regression analysis during data analysis showed that DBS on the CC, was also significant,  $F(1,354) = 29.38, p < 0.001, R \text{ square} = 0.26, b = 0.13, t(132) = 3.984 \ \& \ p < 0.001$ . During the 3rd stage, the mediating process specified that the CC controlling for DBS was significant,  $F(1,903) = 41.08, R \text{ square} = 0.32, p < 0.001, b = 0.18, t(184) = 6.640 \ \& \ p < 0.001$ . In the 4th stage, the results displayed controlling for CC mediating variable, DBS score were significant predecessor of DT success,  $b = 0.14, t(114) = 3.220 \ \& \ p < 0.001$ .

**Table 4, Model 6, mediation result**

Model	Coefficient	SE	t	p	CI (lower)	CI (upper)
With-out mediator						
DBS → DT success	0.1664	0.0254	4.765	0.000	0.1321	0.2087
With mediator						
DBS → CC	0.1346	0.0743	3.984	0.000	0.1109	0.2264
CC → DT success	0.1834	0.0538	6.640	0.000	0.1667	0.2109
DBS → DT success	0.1453	0.0456	3.220	0.000	0.1043	0.2324

**Conclusion**

The empirical proposed research model of our study examined the role of DBS in DT success in presence of CC as mediator. As proposed, banking sector professionals argued that clear DBS deliver meaningful results in the initiatives of DT. Banking sector professionals further appreciated the role of well-defined vision of banks manager as influential force for workforce's motivation to adjust the change and stay flexible in digital landscape, finding DBS as an antecedents of DT success. In addition, our research findings answer several research questions in the prevailing IS literature by offering an alternate explanation of how comprehensive DBS of banking management enables DT success in presence of CC. Results of data analysis of this research proven the statements of past studies who emphasized that DBS is a portray important role in DT success (Aditya et al., 2022). Further, this research work for the first time identifies that DBS can portray central role in success of DT in presence of CC.

**Implication of the study**

Our study offers crucial theoretical and practical implications. Our research contributes to the existing body of knowledge by exploring for the first time the mediating role of CC in the nexus between DBS and DTS. Our study fills the knowledge gap between DBS and organizational behavior theories underlying that effectiveness of DBS is based on employees CC. The study results also various potential future avenue for investigating creative ability of employees as inclusive ability of business organization across various context and industries, improving the discourse of employees associated elements in DT. The practical implications of this study

stress the significance of CC which the banking sector needs to actively invest in the development of employees' creative ability to improve the implementation rate of DT process. Management of banking must encourage employees to share knowledge, work collaboratively and discuss the issue frequently. Banking leaders need to hire an individual who has maximum working attributes of CC, which enable them to successfully initiate the DT process.

### 5.2 Limitation and future direction

Like other studies, this research has also several research limitations. This study employed only in a single banking sector which limited the generalizability of our research. So future researchers need to consider other sectors while examining the proposed model relationship. Further, this research has used only single intervening (CC), in future more mediators need to be included like ambidextrous digital capabilities and organizational agility etc. The proposed model also did not use any moderator, so it will be interesting to incorporate any moderator in the purpose linkages. In the prevail digital era, organizations struggle to effectively designed DBS due to uncertain environment situations. Therefore, future researchers need to consider this aspect while examining such relationships.

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