Chapter 1
Performance Management in Digital Transformation:
A Strategy for Sustainability

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ABSTRACT

This chapter gives a holistic overview of digital transformation and its impact on firm performance and highlights the strategy firms can adopt to become sustainable in the long run. Digital transformation has become a well-known phrase that is often used to describe a major IT overhaul. New digital technologies provide the game-changing potential for and grave dangers to businesses that established their success in the pre-digital era. Customer engagement and digitized solutions are two critical digital strategies that give the necessary direction for a digital transformation in any firm. With advanced information and communication technology (ICT), enterprises may create new content, apps, or services to provide them with a competitive edge. A digital services platform and an operational backbone are important for implementing the firm's business strategies. Digital transformation can improve business performance and contribute to sustainability. Sustainability has become an entrenched and overarching aspect of strategic planning for firms.

INTRODUCTION

The enormous potential and omnipresent usage of digital technology have encouraged organizations to gain sustainable competitive advantages and increase their capacity to take full advantage of the benefits of digital transformation. Digital transformation (DT) has emerged as a significant topic in strategic

information systems research (Günther et al., 2017; Loebbecke & Picot, 2015; Vial, 2019) and also for practitioners in recent years. To put it simply, digital transformation is the result of the significant changes occurring in society and industry as a result of the widespread use of digital technologies at the highest levels of the organization. As suggested by some researchers such as Matt et al. (2015) and Kaplan & Norton (1996), organizations need to discover methods to innovate through these technologies by devising "strategies that embrace the implications of digital transformation and drive better operational performance". Consumer expectations and behaviors have been fundamentally changed due to digital transformation (Kelley, 2018) and the resulting business model innovation, which has put pressure on conventional businesses and disrupted many industries (Shrivastava, 2017).

Every customer leaves a "digital footprint" (Günther et al., 2017). Compilation of their day-to-day online activities that accumulate across many platforms and devices provides firms with unprecedented insights into customer behavior and underlying opportunities. For example, purchasing history may be linked with similar customers' purchasing behavior to recommend online shoppers what they may want and when (Elvy, 2018). Digital technologies empower end-users by availing more information at their disposal (Verhoef et al., 2017). Their expectations go up as they see their capabilities go up in terms of communication and options to browse and process more information to make informed decisions. This technological penetration, a paradigm shift of services and digital readiness of consumers' cause change in consumer behavior as well as expectations. The growing demand of getting things done as much as possible from mobile applications, less use of hard cash, online ordering and delivery, and online customization of services are examples of how people change their behaviors (Wasan, 2018) and expect firms to meet those requirements.

Digitalization has an impact on overall customer service. Great customer experience requires a rapid response time to customer inquiries, which is possible by consolidating client data throughout the company into a single source (Pappas et al., 2018). With the collection and centralization of all accessible data, customer support services can easily and promptly answer customer's queries. Therefore, customer satisfaction improves because of the improvements in customer service and assistance. On the other hand, organizations may get a better knowledge of their client base by analyzing customer inquiries and responding to them. Organizations may profit from process digitalization in addition to the change of the customer experience (Blumenthal, 2017). However, although the digital transformation of internal processes may not immediately result in apparent improvements in profitability, it will provide many advantages to the company in the long run (Scott et al., 2017). The goal of digital transformation is to increase efficiency while also increasing connectivity. One of the most important goals for businesses is to improve business performance. When it comes to an organization's operations, automation of transactions, supply chain and human resource activities are common. Businesses that want to take their digital strategic vision to the next level should focus on improving cooperation among workers at all levels, as well as improving performance management. The digital transformation framework allows substantial gains in efficiency for transactional supply chain operations (Sundaram et al., 2020).

Consumers now have access to dozens of media channels, interact actively and easily with businesses and other consumers, and experience an ever-increasing number of touchpoints throughout their customer journey, most of which are digital. For instance, online merchants do not confine their reach to the conventional retail sector; they utilize their digital capabilities to penetrate industries previously believed to be irrelevant to retail in pursuit of new growth possibilities (Leu & Masri, 2021). Many of the more conventional companies have been toppled by digital upstarts (Karimi & Walter, 2015), who have used innovation to accelerate growth. This has negatively impacted many traditional businesses.

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