# DIGITAL TRANSFORMATION AS A DRIVER OF STRATEGIC RENEWAL IN BUSINESS ENTITIES

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**Abstract**

This article examines digital transformation as a key driver of strategic renewal in business entities. Contemporary research shows that digital transformation is not limited to technological modernization; it changes value creation, business models, organizational routines, capabilities, and performance systems. Recent studies also indicate that firms increasingly need to renew their strategic logic in order to respond to digital disruption, ecosystem competition, data intensity, and rapidly changing customer expectations. On that basis, this article develops a conceptual framework for understanding strategic renewal under digital transformation. The proposed framework integrates digital scanning, capability reconfiguration, business model adaptation, agile governance, ecosystem integration, and continuous learning. The article argues that digital transformation becomes a true source of strategic renewal only when firms move from static planning toward adaptive, capability-based, and innovation-oriented strategic management.

**Keywords:** digital transformation, strategic renewal, business entities, strategic management, dynamic capabilities, business model innovation, organizational renewal, digital strategy.

## Introduction

Digital transformation has become one of the most influential forces reshaping

the contemporary business environment. It affects not only technology adoption, but also customer expectations, value propositions, organizational structures, and the strategic logic of firms [1], [2]. Vial defines digital transformation as a process in which digital technologies create disruptions that trigger strategic responses from organizations seeking to alter their value-creation paths, while Verhoef and co-authors show that digital transformation and related business model innovation put strong pressure on traditional firms and disrupt established markets [1], [2].

These developments make the issue of strategic renewal especially important. In the context of business entities, strategic renewal may be understood as the reconfiguration of strategic intent, organizational capabilities, resource deployment, and business models in response to environmental change. Warner and Wäger directly connect digital transformation with the building of dynamic capabilities for ongoing strategic renewal in incumbent firms [3]. This means that strategic renewal should no longer be seen as an occasional adjustment, but as a continuous organizational process [3].

The purpose of this article is to analyze digital transformation as a driver of strategic renewal in business entities and to formulate a conceptual framework for understanding how this process unfolds. The article is based on an integrative reading of recent scholarly work on digital transformation, dynamic capabilities, business model change, performance adaptation, and strategic renewal.

**Literature Review**

The modern scholarly discussion of digital transformation as a strategic phenomenon is strongly shaped by Vial's review, which presents digital transformation as a disruptive process that forces organizations to respond strategically and reshape value creation [1]. Verhoef and colleagues extend this perspective by distinguishing between digitization, digitalization, and digital transformation, and by emphasizing that successful transformation depends on assets, capabilities, and growth

strategies suited to digital competition [2]. Together, these studies show that digital transformation is inseparable from strategic change [1], [2].

A second major stream of literature concerns dynamic capabilities. Teece argues that business models, dynamic capabilities, and strategy are interdependent, and that dynamic capabilities shape a firm's ability to design and renew its business model [4]. Warner and Wäger build on this logic and conceptualize digital transformation as a process of building dynamic capabilities for strategic renewal in incumbent firms [3]. In this perspective, strategic renewal is not a one-time managerial act, but an ongoing capability-driven response to technological and competitive change [3], [4].

A third stream focuses on implementation and organizational architecture. Elia and co-authors propose the digital transformation canvas as a conceptual framework for leading digital transformation and identify roles, competencies, behaviors, and enablers necessary for implementation [5]. This contribution is especially relevant because it shifts attention from abstract strategy to the concrete managerial architecture required for transformation [5]. Verhoef and co-authors similarly note that digital transformation has consequences for organizational structures and performance metrics [2].

Recent literature also emphasizes that strategic renewal under digital transformation involves the redesign of organizational routines, experimentation, and learning. Across these studies, one common idea emerges: digital transformation affects not only what firms do, but also how they strategize, implement, and renew themselves [1], [2], [3], [5].

**Analysis and Discussion**

1. Why digital transformation drives strategic renewal

Digital transformation drives strategic renewal because it changes the conditions under which firms compete. In earlier strategic-management settings, firms could often rely on relatively stable market boundaries and longer planning cycles. In the digital

era, technologies evolve rapidly, industries overlap, and competition increasingly takes place through platforms and ecosystems [1], [2]. Under these conditions, firms must repeatedly rethink their strategic assumptions and resource configurations.

Digital transformation also drives strategic renewal because it alters the basis of value creation. Firms no longer compete only through price, scale, or physical assets; they increasingly compete through data, digital interfaces, service logic, and business model innovation. This means that strategic renewal is not limited to market positioning; it also requires redesigning how value is created, delivered, and captured [2], [4].

A further reason is that digital transformation changes the tempo of managerial action. Firms must scan earlier, respond faster, experiment more frequently, and update their strategy more regularly. This is why strategic renewal under digital transformation is more iterative and continuous than in traditional strategic-management models [3], [5].

2. Main mechanisms of strategic renewal

The first mechanism is digital strategic scanning. Firms must monitor emerging technologies, new entrants, changing consumer behavior, and ecosystem developments more actively than before. Because digital change often originates outside a firm's traditional sector, strategic renewal begins with wider and more continuous sensing.

The second mechanism is business model adaptation. Strategic renewal occurs when firms rethink how they create, deliver, and capture value under digital conditions. Verhoef and co-authors directly connect digital transformation with business model innovation and changing growth strategies [2]. This means that digital transformation renews strategy by forcing firms to revisit their market logic and customer value proposition [2].

The third mechanism is resource and capability reconfiguration. Strategic renewal depends on a firm's ability to reorganize assets, routines, and knowledge

around new digital realities. Warner and Wäger show that building dynamic capabilities is central to ongoing strategic renewal, while Teece explains that strategy and capabilities are deeply interconnected. Thus, digital transformation renews strategy by compelling firms to recompose what they know, what they do, and how they do it.

The fourth mechanism is organizational and managerial redesign. Strategic renewal under digital transformation requires new leadership roles, new competencies, and updated governance mechanisms. Elia and co-authors show that successful transformation depends on roles, competencies, behaviors, and enablers, not only on technology investment [5]. Therefore, strategic renewal is also a process of managerial redesign [5].

**Table 1.**

**Mechanisms Through Which Digital Transformation Drives Strategic Renewal**

| Mechanism | Main content | Strategic effect |
|---|---|---|
| Digital strategic scanning | Continuous monitoring of technologies, markets, and ecosystems | Early detection of threats and opportunities |
| Business model adaptation | Redesign of value proposition and revenue logic | Renewal of value creation |
| Capability reconfiguration | Reorganization of resources, routines, and knowledge | Greater adaptability |
| Organizational redesign | New roles, skills, and governance arrangements | Better alignment between strategy and execution |
| Continuous learning | Repeated experimentation and updating of assumptions | Long-term resilience |

*Source: developed by the author on the basis of [1]–[5].*

Conceptual Framework

Based on the reviewed literature, digital transformation can be conceptualized as a driver of strategic renewal through six interconnected components:

Digital scanning – continuous observation of technological, market, and ecosystem change;

Business model adaptation – redesign of value creation and capture logic [2], [4];

Dynamic capability building – development of sensing, seizing, and reconfiguring capacities;

Organizational redesign – adjustment of roles, leadership, competencies, and governance;

Performance renewal – updating strategic control systems to reflect new digital priorities;

Continuous learning – repeated experimentation, reassessment, and renewal of strategy.

This framework suggests that digital transformation does not renew strategy through one single factor. Instead, it creates a system of pressures and opportunities that jointly reshape how firms interpret their environment, configure their resources, design their business models, and evaluate success. In this sense, strategic renewal is the managerial outcome of successful digital adaptation rather than a process detached from transformation itself [1], [2], [3], [5].

**Conclusion**

Digital transformation has become a major driver of strategic renewal in business entities because it changes competitive conditions, value-creation logic, organizational requirements, and performance expectations. The literature reviewed in this article shows that firms increasingly need to renew their strategies through digital

scanning, business model adaptation, capability reconfiguration, organizational redesign, and continuous learning. Strategic renewal in the digital era is therefore not an optional strategic exercise, but a necessary response to a more volatile and data-intensive environment.

The central conclusion is that digital transformation becomes a true driver of strategic renewal only when firms move beyond technology adoption and treat transformation as a managed process of strategic and organizational redesign. In practical terms, this means that business entities should shift from static strategy models toward adaptive, capability-based, and continuously renewed strategic management.

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