

Impact of Digital Transformation on Employee Flourishing: An Organizational Identity View

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Abstract: Many companies embark on the digital transformation journey, but only a few consider that successful outcomes require redefined business value and a new organizational identity. Academia and practice neglect the individual frontier when considering how digital technologies impact firms. By conducting 17 interviews, we investigate how digital transformation can impact employee flourishing. The preliminary findings point to four key factors related to the concept of digital agility and unravel the processes firms may utilize to navigate the complexities of considering the individual frontier. Future theoretical implications of this work enrich IS literature by highlighting the impact that digital transformation has on employees' work experience (or the sensemaking of their job function), which may ultimately influence their well-being and performance. Practical implications are critical for fostering knowledge and overall well-being of employees in the future of work.

Keywords: Digital transformation, digital agility, employee flourishing, organizational identity.

Word count: 1,794

SIG: Organizational Transformation, Change and Development

Introduction

In today's fast-paced business arena, organizations are required to be increasingly able to promptly adapt to the ever-changing needs of their internal and external environments (Markus & Rowe, 2023). Through the development of technologies able to support production and service flexibility, enhance efficiency, and boost productivity (Bai et al., 2020), DT can trigger profound structural changes (Salmela et al., 2022) and radically alter how organizations and employees operate and experience their work. Organizational identity is defined as an organizational-level construct to answer the question "who are we as an organization?" (Ashforth & Mael, 1996), and it encompasses the shared perception that organizations' members have about what their organization is (Corley & Gioia, 2004). In this sense, organizational identity is characterized by persistent shared values, attributes, and characteristics that members perceive as fundamental and unique to define their organization (Dutton & Dukerich, 1991; Hatch & Schultz, 2002; Ravasi & Schultz, 2006). Research has shown that during an organizational change, the identity of a firm (i.e., organizational identity) may be challenged and questioned (Hey et al., 2021). Consequently, employees also need to establish a new sense of belonging and a new meaning related to what it means to be a member of the now-different organization (Corley & Gioia, 2004; Sonenshein, 2010).

Indeed, employee flourishing might be influenced by many factors related to DT in the organizational environment. These can include the role of big data in decision-making (McAfee & Brynjolfsson, 2012) and the impact of how employees perceive their emotional states. Additionally, digital workplace transformation and new ways of working, including cross-function collaboration and continuous learning and development, might impact employees' well-being (Weritz et al., 2022). These side effects might initially be seen as threats, and employees might show an overall resistance to DT due to a fear of job displacement and unfamiliarity with DT processes (e.g., Jakab et al., 2023). However, despite a growing interest in understanding the relationships between DT and the individual frontier, we still know little of how such relationships unfold and what factors may play a pivotal role.

Therefore, to open the black box surrounding the relationship between organizations successfully maneuvering DT and how employees may still flourish when experiencing such a change, we aim to answer the following research question (RQ): *How can employees flourish in a firm with a new organizational identity due to DT?*

We addressed this research question by conducting 17 semi-structured interviews in organizations that have successfully achieved DT, which led to the emergence of a new organizational identity. Our qualitative findings showed that firms could enable employees to flourish by leveraging digital agility, which, considering our results, we define as adaptive compositions, access to external stakeholders, ambidextrous structures, and effective leadership. Thus, our preliminary work contributes to the growing body of literature on the relationships between DT and the individual frontier (e.g., employee flourishing). More specifically, first, we extend current theoretical knowledge by empirically exploring the mechanisms whereby new digitally transformed organizations can influence their employee flourishing while redefining their organizational identity. In doing so, our results shed further light on the novel concept of organizational digital agility by pinpointing how digital agility can enable digital flourishing and adding nuances to its conceptualization. Secondly, by unpacking the notion of digital agility, we highlight the strategic role of (effective) leadership as the "conditio sine qua non" and catalyzing vector whereby DT may cascade from the organizational level to the employee level. In the remaining part of the paper, we detail the theoretical foundation of our study and its methodology, then provide some preliminary results and points of discussion.

Theoretical Underpinning

DT success often signifies a profound emergence of a new organizational identity in firms since the changes are so radical that new values, norms, related strategies, and operations ultimately emerge (Wessel et al., 2021). Firms must align actions and strategy, with successful DT being pivotal for enhanced firm performance (Vial, 2019). Successful DT requires a redefined business value and signals a change within the individual level of firms (Kane et al., 2021; Wessel et al., 2021). Embracing new technologies often builds on specific capabilities that organizations must make. The organizational identity emerges as technology becomes deeply ingrained in every facet of the organization, from internal processes to customer experiences (Matt et al., 2015). In this study, DT is an ongoing process, necessitating changes in traditional strategies, including activities, structures, value creation approaches, financial aspects, human capital, and culture (Hess et al., 2016; Kane et al., 2017). Nonetheless, recent work on the impact of DT on organizational identity shows the relevance of having a holistic view of the organizational values and employees' perspectives (Graf et al., 2023; Keilbach et al., 2023). By implementing sensemaking processes to 'understand the novel, unexpected, or confusing events' (Maitlis & Christianson, 2014: 58), employees can retain and develop new values, norms, and principles (Ashforth & Schinoff, 2016; Hey et al., 2021) and align their individual goals with the new organizational identity. Several studies reported the positive outcomes of employees' organizational identification, ranging from reduced turnover intentions in employees (Conroy et al., 2016) to enhanced job satisfaction (van Dick et al., 2004) and increased extra-role performance (Liu et al., 2011). Nevertheless, when organizational change is complex, radical, and its results uncertain, it may well threaten employees' work experience, as in the case of DT, in which employees' roles, tasks, and jobs may be at stake (Tursunbayeva & Renkema, 2022). This may generate ambiguity and confusion in employees (Maitlis & Sonenshein, 2010) and ultimately hamper their flourishing process.

Employee flourishing is defined as emotional, psychological, and social well-being (A'yunnisa et al., 2023; Keyes, 2002) and can be achieved by satisfying the psychological needs of individuals (Janicke-Bowles et al., 2023). Despite the positive effects of employee flourishing on various organizational outcomes (e.g., Fabricio et al., 2022), a scarcity of research on employee flourishing in the digital context exists (Janicke-Bowles et al., 2023). However, employee flourishing is crucial for the individual frontier since it can have significant consequences at the individual, team, and organizational levels, such as in- and extra-role job performance, engagement, turnover intention, team effectiveness, and organizational productivity (A'yunnisa et al., 2023). Especially in the context of DT, given that technologies and their consequences can be seen as "scary" (Benlian et al., 2022) due to their sometimes-cumbersome conceptualization, understanding the mechanisms that can enable employee flourishing might be critical. The well-established change management literature has already highlighted that employees may resist change when facing, for instance, uncertainty, unclarity, and fear of job loss (Kotter & Schlesinger, 1979). Furthermore, previous work has shown the relevance of various cultural and leadership factors to impact employees positively. For instance, organizations can tailor communication strategies that clearly outline the urgency, goals, and benefits of proposed changes to mitigate employee resistance. Similarly, while fostering a collaborative approach that considers external perspectives might enhance transparency related to job outcomes (Weritz et al., 2020), balancing existing processes with innovative approaches related to training and support might enable work practices (Braojos et al., 2020). Lastly, echoing previous research on managing (resistance to) change (Oreg & Berson, 2019; Van Dijk & Van Dick, 2009) and in light of the many questions, puzzles, and challenges that the rapid evolution of DT is posing, managers or leaders do play a paramount role in guiding employees through DT changes seamlessly (Kane et al., 2017).

Methodology

Given the exploratory nature of our research question, we followed an inductive, qualitative research design to investigate how digitally transformed companies with a new organizational identity can impact employee flourishing. Qualitative research aims to comprehend individuals' attitudes, beliefs, and behaviors (Sarker et al., 2013). Through an interpretive discursive lens (Miles & Huberman, 1994), we aim to produce an in-depth account of participants' perspectives by interpreting narratives to extend current knowledge on the impact of DT on employee flourishing (Strauss & Corbin, 1990). We relied on semi-structured interviews to collect data since they facilitate identifying and comparing emerging themes through a standard set of questions (Miles & Huberman, 1994) while allowing us to customize the interview protocol depending on the answers (Silverman & Marvasti, 2008). Overall, 17 interviews were conducted by two independent researchers that followed an interview guideline. Whenever possible, the interviews were conducted face-to-face and took 30-45 minutes on average. The interviews were recorded, and the audio files were transcribed verbatim using Amberscript and then double-checked by the researchers. For the data analysis, we followed an inductive approach (Diaz Andrade et al., 2023). For a better understanding, the codes were structured according to the Gioia terminology – first-order codes, second-order codes, and aggregated dimensions (Gioia et al., 2012). We used the tool MAXQDA to organize our data.

Preliminary Findings and Discussion

Our findings can contribute to research in two ways. First, we find that current theoretical knowledge by empirically exploring the mechanisms whereby redefining the organizational identity of digitally transformed firms can influence employee flourishing. These results shed light on the novel concept of organizational digital agility by pinpointing how digital agility can enable digital flourishing and adding nuances to its conceptualization. Second, our theoretical implication is to advance the notion of digital agility. We highlight the strategic role of (effective) leadership as a catalyzing vector whereby DT may cascade from the organizational level to the employee level. From the preliminary findings, we also derive practical implications for organizations. When firms redefine their business value and create a new organizational identity, they should not forget the role of the employees. More specifically, firms must use their digital agility to enable employees to flourish, which can ultimately influence several performance outcomes (A'yunnisa et al., 2023). Organizations must ensure the integration and engagement of all stakeholders (e.g., internal and external) to contribute to employee well-being. Businesses should continually improve and adapt to advancements. Ultimately, both organizations and employees are responsible for fostering employee flourishing in DT. While organizations should facilitate a workplace with digital agility, individuals should leverage the opportunities offered by the firm.

Next Steps

In conclusion, this study delved into the cornerstone of how DT success enables firms to utilize digital agility to impact employee flourishing. The findings underscored that when employees flourish through organizations' digital agility, this positive outcome ultimately benefits the individuals and translates into accelerated organizational success. As this paper is still in a developmental stage, we have several next steps planned. First, we proceeded with analyzing the data and finetuning and coding the findings further. In that line, we discuss the codes in the author team and explore the differences to find joint aggregated dimensions. Second, we dedicate more time to discussing our findings in the context of existing literature to interpret our results and identify patterns between DT, digital agility, and employee flourishing. Finally, we will improve the practical implications of our research.

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