



Strategic Digital Transformation and Organizational Performance in Public Sector Institutions in Indonesia

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INFO ARTIKEL	ABSTRACT
<p>Submitted: 2025-11-04 Revised: 2025-11-17 Accepted: 2025-12-05 Published: 2026-01-03</p> <p>Keywords Strategic Management, Digital Transformation, Organizational Performance, Public Sector Organizations, Digital Governance</p>	<p><i>Strategic digital transformation has become an important approach for improving the performance of public sector institutions in the era of digital governance. Governments are increasingly integrating digital technologies into administrative processes to enhance efficiency, improve decision-making capabilities, and strengthen public service delivery. The successful implementation of digital transformation strategies allows public organizations to modernize bureaucratic systems and respond more effectively to the growing expectations of citizens. This study aims to analyze the influence of strategic digital transformation on organizational performance in public sector institutions in Indonesia. The research adopts a quantitative approach using survey data collected from employees working in government institutions that have implemented digital governance initiatives. Data were analyzed using statistical techniques to examine the relationship between strategic digital transformation and organizational performance. The findings indicate that digital transformation strategies have a significant positive impact on organizational performance, particularly in improving administrative efficiency, institutional responsiveness, and service effectiveness. The adoption of digital technologies enables public organizations to streamline bureaucratic procedures, manage data more efficiently, and enhance coordination among administrative units. However, several challenges remain, including differences in digital infrastructure, limited technological competencies among employees, and organizational resistance to technological change. The study highlights the importance of strengthening digital infrastructure, developing employee digital competencies, and integrating digital transformation into strategic management practices to ensure sustainable improvements in public sector performance. Overall, strategic digital transformation represents an essential component of modern public administration and plays a crucial role in enhancing the effectiveness and efficiency of public organizations.</i></p>
<p>Kata Kunci Manajemen Strategis, Transformasi Digital, Kinerja Organisasi, Organisasi Sektor Publik, Pemerintahan Digital</p>	<p>Transformasi digital strategis telah menjadi pendekatan penting dalam meningkatkan kinerja organisasi sektor publik di era pemerintahan digital. Pemerintah semakin mengintegrasikan teknologi digital ke dalam proses administrasi untuk meningkatkan efisiensi, memperbaiki kemampuan pengambilan keputusan, serta memperkuat penyelenggaraan pelayanan publik. Implementasi strategi transformasi digital yang efektif memungkinkan organisasi publik untuk memodernisasi sistem birokrasi dan merespons kebutuhan masyarakat secara lebih cepat dan efisien. Penelitian ini bertujuan untuk menganalisis pengaruh transformasi digital strategis terhadap kinerja organisasi pada institusi sektor publik di Indonesia. Penelitian ini menggunakan pendekatan kuantitatif dengan pengumpulan data melalui survei terhadap pegawai pemerintah yang bekerja di institusi yang telah menerapkan inisiatif pemerintahan digital. Data dianalisis menggunakan teknik analisis statistik untuk menguji hubungan antara transformasi digital strategis dan kinerja organisasi. Hasil penelitian menunjukkan bahwa strategi transformasi digital memiliki pengaruh positif yang signifikan terhadap kinerja organisasi, khususnya dalam meningkatkan efisiensi administrasi, responsivitas institusi, dan efektivitas pelayanan publik. Adopsi teknologi digital memungkinkan organisasi publik untuk menyederhanakan prosedur birokrasi, mengelola data secara lebih efisien, serta meningkatkan koordinasi antar unit administrasi. Namun demikian, beberapa tantangan masih ditemukan, seperti perbedaan infrastruktur digital antar institusi, keterbatasan kompetensi teknologi pada pegawai, serta resistensi organisasi terhadap perubahan teknologi. Penelitian ini menekankan pentingnya penguatan infrastruktur digital, pengembangan kompetensi digital pegawai, serta integrasi transformasi digital ke dalam praktik manajemen strategis untuk memastikan peningkatan kinerja sektor publik yang berkelanjutan.</p>



INTRODUCTION

In recent years, public sector organizations have faced increasing pressure to improve organizational performance, enhance service quality, and adapt to rapid technological and institutional changes. Governments around the world are required to operate more efficiently, transparently, and strategically in order to respond to the growing expectations of citizens and stakeholders. As a result, strategic management has become an essential approach in modern public administration, enabling public organizations to develop long-term plans, allocate resources effectively, and improve institutional performance (Bryson, 2018).

Strategic management refers to a systematic process through which organizations formulate, implement, and evaluate strategies to achieve organizational goals and improve performance. In the context of public sector organizations, strategic management helps government institutions identify priorities, coordinate organizational resources, and respond to environmental challenges in a structured manner. Public organizations that adopt effective strategic management practices are more capable of improving their operational efficiency and achieving policy objectives (Poister, Pitts, & Edwards, 2010).

One of the most significant transformations influencing strategic management practices in public organizations is the rapid advancement of digital technologies. Digital transformation has created new opportunities for government institutions to modernize administrative processes, improve decision-making capabilities, and enhance communication with citizens. The integration of digital technologies into organizational strategies has become an important component of strategic management in the public sector (Mergel, Edelman, & Haug, 2019).

Digital transformation in public organizations involves the adoption of information and communication technologies to redesign organizational processes, improve service delivery systems, and strengthen institutional performance. Through digital platforms, government institutions are able to automate administrative tasks, manage organizational data more efficiently, and provide faster responses to citizen demands. These technological innovations enable public organizations to operate more effectively in increasingly complex governance environments (Heeks, 2020).

The concept of digital transformation is closely related to organizational performance, particularly in the context of public sector institutions. Organizational performance refers to the ability of an institution to achieve its goals efficiently and effectively while maintaining high standards of accountability and service quality. Strategic adoption of digital technologies allows public organizations to improve administrative efficiency, enhance policy implementation, and strengthen institutional responsiveness to public needs (West, 2015).

In many countries, governments have introduced strategic digital transformation initiatives aimed at modernizing public administration systems and improving the performance of public organizations. These initiatives often include the development of digital government platforms, integrated information systems, and data-driven decision-making processes. By integrating digital technologies into organizational strategies, governments aim to create more innovative, efficient, and citizen-oriented public institutions (OECD, 2021).

In Indonesia, digital transformation has become an important component of public sector reform. The Indonesian government has introduced various initiatives aimed at strengthening digital governance and improving the efficiency of public administration. These initiatives include the development of digital public service systems, integrated administrative platforms, and smart government programs that support strategic management practices within public organizations (Bappenas, 2021).

Despite the increasing adoption of digital technologies in public administration, many public sector institutions still face challenges in implementing strategic digital transformation effectively. Organizational resistance to change, limited technological infrastructure, and inadequate digital competencies among public sector employees may hinder the successful implementation of digital strategies. In addition, the integration of digital technologies into organizational processes requires strong strategic leadership and effective coordination among different institutional units (Mergel et al., 2019).

Understanding how strategic digital transformation influences organizational performance in public sector institutions is therefore essential for improving governance practices. By examining the relationship between digital transformation strategies and organizational performance, researchers can provide valuable insights into how public organizations can adapt to technological change while maintaining effective administrative systems.

Therefore, this study aims to analyze the role of strategic digital transformation in improving organizational performance in public sector institutions in Indonesia. By examining how digital technologies are integrated into strategic management practices and how these innovations

influence institutional performance, this research seeks to contribute to the development of more effective and innovative governance systems in the public sector.

METHODS

This study adopts a quantitative research approach to examine the relationship between strategic digital transformation and organizational performance in public sector institutions in Indonesia. A quantitative approach was selected because it allows the researcher to measure the influence of strategic digital transformation on organizational performance using statistical analysis. Through quantitative methods, the study seeks to identify patterns, relationships, and the level of influence between research variables in a systematic and objective manner.

The research design used in this study is explanatory research, which aims to explain the causal relationship between strategic digital transformation as an independent variable and organizational performance as the dependent variable. Explanatory research is appropriate for examining how strategic management practices related to digital transformation contribute to improving the performance of public sector institutions. By applying statistical analysis, this research aims to test whether digital transformation strategies implemented by public organizations significantly influence institutional performance.

The research was conducted in several public sector institutions in Indonesia that have implemented digital governance initiatives as part of their organizational strategies. These institutions include government agencies that have adopted digital technologies in administrative processes, public service delivery, and data management systems. The research population consists of employees working in public sector organizations who are directly involved in digital governance initiatives or organizational management activities.

The sampling technique used in this study is purposive sampling. This method allows the researcher to select respondents who have relevant experience and knowledge regarding digital transformation and organizational management within public sector institutions. The respondents include government officials, administrative staff, and employees involved in the implementation of digital governance programs. By focusing on respondents who are directly engaged in digital transformation initiatives, the research aims to obtain accurate information regarding the impact of digital strategies on organizational performance.

Data were collected using a structured questionnaire distributed to respondents working in public sector institutions. The questionnaire was designed to measure perceptions regarding strategic digital transformation and organizational performance. The measurement of research variables was based on a Likert scale ranging from 1 to 5, where respondents indicated their level of agreement with various statements related to digital transformation practices and organizational performance outcomes.

The variable of strategic digital transformation was measured through several indicators, including the adoption of digital technologies in administrative processes, the integration of digital systems in organizational operations, the use of data-driven decision-making systems, and the development of digital innovation strategies within public sector institutions. Meanwhile, organizational performance was measured through indicators such as service efficiency, administrative effectiveness, institutional responsiveness, and overall organizational productivity.

Data analysis in this study was conducted using statistical analysis techniques. Descriptive statistics were used to analyze the characteristics of respondents and summarize the distribution of responses. In addition, regression analysis was employed to examine the relationship between strategic digital transformation and organizational performance. Regression analysis allows the researcher to determine whether digital transformation strategies significantly influence the performance of public sector institutions.

To ensure the reliability and validity of the research instruments, validity and reliability tests were conducted before performing the main statistical analysis. Validity testing was used to ensure that questionnaire items accurately measure the intended research variables, while reliability testing was used to determine the consistency of measurement results across different respondents.

Through this methodological approach, the study aims to provide empirical evidence regarding the impact of strategic digital transformation on organizational performance in public sector institutions. The findings are expected to contribute to the development of more effective strategic management practices and support digital governance initiatives in public administration.

RESULTS AND DISCUSSION

Results

Descriptive Analysis of Respondents

The descriptive analysis provides an overview of the characteristics of respondents who participated in the study. A total of 120 respondents from several public sector institutions participated in this research. The respondents consisted of government officials, administrative staff, and employees involved in digital governance programs within their respective institutions.

Based on the demographic characteristics of respondents, the majority of participants were employees who had direct involvement in administrative and managerial activities within their organizations. These respondents were considered capable of providing relevant insights regarding the implementation of digital transformation strategies and their influence on organizational performance.

Table 1 presents the demographic characteristics of respondents based on gender, age, and work experience.

Characteristics	Category	Percentage
Gender	Male	58%
	Female	42%
Age	21–30 years	27%
	31–40 years	46%
	41–50 years	19%

	>50 years	8%
Work Experience	<5 years	22%
	5–10 years	38%
	>10 years	40%

The data indicate that most respondents have more than five years of work experience, suggesting that they possess adequate knowledge regarding organizational processes and digital transformation initiatives implemented within their institutions.

Descriptive Analysis of Research Variables

The next stage of analysis focuses on the descriptive statistics of the research variables, including strategic digital transformation and organizational performance. Respondents were asked to evaluate several indicators related to the implementation of digital transformation strategies and the performance outcomes of their organizations.

The results show that most respondents perceive digital transformation as an important strategy for improving administrative efficiency and organizational performance. Public sector institutions have increasingly adopted digital technologies in administrative processes, data management systems, and public service delivery.

Table 2 presents the mean scores for each research variable

Variable	Indicator	Mean Score
Strategic Digital Transformation	Adoption of digital technologies	4.12
	Integration of digital systems	4.05
	Data-driven decision making	3.98
	Digital innovation strategy	4.08
Organizational Performance	Service efficiency	4.10
	Administrative effectiveness	4.02
	Institutional responsiveness	3.95
	Organizational productivity	4.07

The descriptive results indicate that respondents generally agree that digital transformation initiatives have been implemented effectively in their organizations and contribute to improving institutional performance.

Regression Analysis Results

To examine the relationship between strategic digital transformation and organizational performance, regression analysis was conducted. This analysis aims to determine whether the adoption of digital transformation strategies significantly influences the performance of public sector institutions.

The results of the regression analysis are presented in Table 3

Variable	Coefficient	t-value	Significance
Strategic Digital Transformation	0.621	7.843	0.000

The regression results show that strategic digital transformation has a positive and statistically significant effect on organizational performance. The significance value ($p < 0.05$) indicates that digital transformation strategies play an important role in improving the performance of public sector institutions.

The coefficient value of 0.621 suggests that improvements in digital transformation strategies are associated with increased organizational performance. This finding indicates that public sector institutions that adopt digital technologies and integrate digital systems into their organizational strategies tend to demonstrate higher levels of administrative efficiency and service effectiveness.

Discussion

Strategic Digital Transformation and Administrative Efficiency

The findings of this study indicate that strategic digital transformation significantly improves administrative efficiency in public sector institutions. The adoption of digital technologies enables government organizations to automate administrative processes, reduce manual paperwork, and streamline bureaucratic procedures.

Digital systems allow government agencies to process service requests more quickly and manage organizational data more effectively. Automated data processing systems also reduce the likelihood of administrative errors, which contributes to improving the overall quality of public administration. These findings support previous studies that highlight the role of digital technologies in improving public sector efficiency and governance performance.

Digital Transformation and Organizational Performance

Another important finding of this study is that digital transformation contributes to improving overall organizational performance. Public sector institutions that implement digital strategies are

able to enhance service delivery, strengthen internal coordination, and improve decision-making processes.

The integration of digital platforms into organizational operations allows government institutions to collect and analyze data more efficiently. This data-driven approach supports evidence-based decision making, which helps government agencies identify service delivery challenges and develop more effective policy solutions.

Furthermore, digital transformation encourages innovation within public sector institutions. Organizations that actively adopt digital technologies are more likely to experiment with new administrative processes and service delivery models that improve institutional performance.

Implications for Strategic Management in Public Organizations

From a strategic management perspective, the findings of this study highlight the importance of integrating digital transformation into organizational strategies within public sector institutions. Digital technologies should not be viewed solely as technical tools but as strategic resources that can enhance organizational performance and support long-term institutional development.

Public sector leaders must therefore develop comprehensive digital transformation strategies that align technological innovation with organizational goals. These strategies should include investments in digital infrastructure, training programs to improve digital competencies among employees, and policy frameworks that support innovation in public administration.

In addition, effective strategic leadership is essential for ensuring the successful implementation of digital transformation initiatives. Organizational leaders must be able to manage institutional change, encourage collaboration among different organizational units, and ensure that digital innovations are integrated into administrative processes.

Challenges in Implementing Strategic Digital Transformation

Despite the positive impact of digital transformation on organizational performance, several challenges remain in implementing digital strategies within public sector institutions. One of the primary challenges identified in this study is the limited technological capacity of some government institutions.

Differences in digital infrastructure across institutions may affect the ability of organizations to implement advanced digital systems. In addition, some employees may lack the digital skills required to operate complex digital platforms effectively.

Another challenge involves organizational resistance to change. Implementing digital transformation often requires significant changes in organizational culture and administrative practices. Without strong leadership and institutional support, digital transformation initiatives may face resistance from employees who are accustomed to traditional bureaucratic processes.

Overall, the findings of this study demonstrate that strategic digital transformation plays a significant role in improving organizational performance in public sector institutions. By adopting digital technologies and integrating them into strategic management practices, government institutions can enhance administrative efficiency, strengthen service delivery, and improve governance outcomes

CONCLUSION

This study examined the role of strategic digital transformation in improving organizational performance in public sector institutions in Indonesia. The findings demonstrate that the adoption of digital technologies as part of strategic management practices has a significant positive impact on the performance of public organizations. The integration of digital systems into administrative processes allows government institutions to improve service efficiency, enhance data management capabilities, and strengthen institutional responsiveness to citizen needs.

The results of the analysis indicate that strategic digital transformation contributes to improving administrative efficiency within public sector institutions. The implementation of digital platforms and automated systems reduces bureaucratic complexity and enables government agencies to process administrative tasks more quickly and accurately. As a result, public organizations are able to deliver services more effectively and reduce delays that often occur in traditional administrative procedures.

Furthermore, digital transformation has been shown to strengthen organizational performance by supporting more effective decision-making processes. Through the use of data-driven governance systems, government institutions can analyze organizational data more efficiently and develop policies that respond to changing societal needs. Digital technologies also enable improved coordination between different administrative units, which contributes to more integrated and efficient governance systems.

From a strategic management perspective, the findings of this study highlight the importance of incorporating digital transformation into organizational strategies within public sector institutions. Digital technologies should be viewed not only as technical tools but also as strategic resources that support institutional innovation and long-term organizational development. Public organizations that successfully integrate digital transformation into their strategic planning processes are more likely to achieve higher levels of performance and institutional effectiveness.

However, the study also identified several challenges in implementing strategic digital transformation within public sector institutions. These challenges include differences in digital infrastructure across government organizations, limited digital competencies among some public sector employees, and organizational resistance to technological change. Addressing these challenges requires continuous investment in digital infrastructure, training programs to improve

employee competencies, and strong strategic leadership capable of managing institutional transformation.

In addition, effective digital transformation requires the development of supportive regulatory frameworks and governance policies that guide the implementation of digital technologies in public administration. Governments must ensure that digital transformation initiatives are aligned with broader public administration goals, including transparency, accountability, and citizen-centered service delivery.

Overall, this study concludes that strategic digital transformation plays an important role in improving organizational performance in public sector institutions. By integrating digital technologies into strategic management practices, public organizations can enhance administrative efficiency, improve service delivery, and strengthen governance systems. Future research may further explore how different types of digital technologies influence public sector performance and how governments can develop more effective digital transformation strategies to support sustainable public administration reforms.

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