

# The Impact of Organizational Culture on the Successful Implementation of Business Strategy in the Digital Era: Literature Review

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## ABSTRACT

A strong organizational culture that is in line with business strategy is essential for successful strategy implementation, especially in today's dynamic digital world. This research was conducted using a qualitative method by looking at scientific publications in Indonesia from 2014 to 2024. One of the beneficial aspects of organizational culture found in the research is innovation orientation, openness to change, customer orientation, and open cooperation and communication. In addition, it was found that organizational culture affects every step in strategy implementation, from strategy formulation, communication, execution, to evaluation and control. To align culture with business strategy in the digital age, it is best to engage employees, strengthen leadership that supports change, implement an aligned reward system, use information technology, conduct regular cultural assessments, and design cultural development programs. Success in implementing strategies in the digital age that requires organizations to remain flexible, innovative, and responsive to change is key to aligning organizational culture with business strategy. This study enhances our understanding of the critical role of organizational culture in supporting business strategy execution in the digital age. It also helps us understand cultural alignment strategies and practices that businesses in Indonesia can implement.

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## 1. INTRODUCTION

In today's digital era, the rapid and dynamic development of information technology has changed many aspects of daily life, including the business world. Economic actors are encouraged to change various business practices in order to survive in the digital era. The widespread digitalization in various walks of life also facilitates the emergence of many new types of digital-based businesses. Businesses in Indonesia must be able to adapt and implement the right strategies to compete in today's fast-paced and dynamic digital era. However, successful business strategy implementation requires more than just a well-developed strategic plan. Corporate culture is a key internal factor for successful business strategy implementation in the digital era. (Margolang et al., 2023).

Organizational culture creates a framework that influences decision-making, motivation, and relationships between parts of the organization. For example, organizations that have an open and collaborative culture may encourage creativity, collaboration between teams, and open

communication. A more formal and hierarchical organization, on the other hand, may have strict organizational standards and structures. In addition to shaping an organization's identity and image, corporate culture can affect productivity, employee satisfaction, and the organization's ability to adapt to changes in the digital age. (Aliefiani et al., 2023).

Many previous studies have shown that a strong organizational culture aligned with business strategy can support successful strategy implementation. Naranjo-Valencia et al, (2016). Study conducted by Marques et al, (2020) found that an organizational culture that supports innovation, learning, and risk-taking can improve business performance in the digital era. In addition Naranjo-Valencia et al. (2016), found that an organizational culture that focuses on innovation and learning is positively related to the successful implementation of business strategies. In the context of digital transformation, an adaptive, collaborative, and customer-centric organizational culture is needed to improve the organization's ability to adapt to changes in technology and consumer preferences. (Hartl & Hess, 2017).

Haffke et al. (2017), and Vey et al, also highlighted that an organizational culture that embraces change, takes risks, and encourages creativity enables digital transformation to succeed. Therefore, understanding the influence of organizational culture on the implementation of business strategies in the digital era is crucial. A strong and strategically aligned organizational culture helps companies execute business strategies effectively and improve employee performance in the face of digitalization challenges. Understanding the impact of organizational culture on the successful implementation of business strategies in the digital era is very important. A strong organizational culture helps companies implement effective business strategies and improve employee performance. Therefore, to improve performance in the digital era, it is necessary to understand how corporate culture can be integrated into business strategy (Judijanto, L, et al, 2024).

Organizational culture plays an important role in the successful implementation of business strategies. Various studies reveal that there is a close relationship between a strong and effective organizational culture and the success of the business strategy implemented by the company. The relationship between organizational culture and business strategy implementation can certainly provide a solid foundation for your business strategy. Successful business strategy execution. Aligning organizational culture with the company's strategic goals and values helps guide strategy implementation efforts effectively. Sule & Saefullah (2019). According to Rivai (2020), the fit between organizational cultural values and business strategy is important for successful strategy implementation. For example, a culture that encourages collaboration, innovation, and risk-taking supports the implementation of strategies aimed at growth and differentiation.

Effective implementation of organizational culture requires strategy and coordinated efforts at all levels of the organization. According to Schneider et al. According to Schneider et al. (2014), the strategy for implementing organizational culture includes four main aspects: leaders as role models, consistent human resource practices, employee engagement, and culture measurement and monitoring. First, managers must be role models in living the desired values and behaviors. In carrying out organizational activities, administrators actually have three roles: the personal role, the decision-making role, and the information source role. These roles can be performed as top managers, middle managers, or subordinate managers depending on the level of management. The leader's ability to fulfill these three roles will determine whether an organization can maintain its survival. (Juliani et al. 2016).

This research aims to review the literature related to the impact of organizational culture on the successful implementation of business strategies in the digital era. The formulation of the problems in this study are (1) How can organizational culture affect strategy implementation? (2) How is an effective organizational culture implementation strategy to support the successful implementation of business strategies in the digital era?

## 2. RESEARCH METHOD

This research is a qualitative study using the literature review method. Literature research is conducted to explore, identify, evaluate, and synthesize various research findings related to the impact of organizational culture on the successful implementation of business strategies in the digital era in the Indonesian context. The main data source in this research is scientific publications. The publication period studied was within the last 10 years, from 2014 to 2024. Data collection was done

by systematically searching the literature through electronic databases such as Garuda Portal, Indonesian Publication Index (IPI), and Google Scholar.

### 3. RESULTS AND DISCUSSIONS

Corporate culture plays a critical role in the successful execution of business strategies, especially in the dynamic and fast-changing digital era. A strong organizational culture that is aligned with business strategy effectively facilitates the strategy implementation process. As stated by Efendi et al (2023). "A strong organizational culture aligned with business strategy supports successful strategy implementation." This finding is in line with the results of this study which emphasize the importance of aligning organizational culture with business strategy for successful implementation in the digital era.

Conversely, if the organizational culture does not support the strategy, the successful implementation of the strategy may be hindered or even complicated. Aspects of organizational culture such as innovation orientation, openness to change, customer focus, collaboration, and open communication have proven to be beneficial in the digital age. According to Naranjo Valencia et al (2016), found that "an organizational culture that focuses on innovation and learning is positively related to the successful implementation of business strategies." This finding is consistent with the results of this study which underscores the importance of an adaptive and innovative culture in facing business challenges in the digital age.

Such a culture encourages companies to adapt quickly to technological developments, introduce innovations, and understand and respond to changing customer needs. Hartl and Hess (2017), and Kane et al (2019), highlighted that "an adaptive, collaborative, and customer-oriented organizational culture enhances an organization's ability to adapt to changes in technology and consumer preferences." These findings are in line with the results of this study which underscore the importance of a change-responsive culture for successful digital transformation.

Corporate culture influences the entire strategy implementation cycle, starting from the strategy formulation stage. The values and beliefs inherent in an organization's culture form the perspective and basis for developing strategy. A culture of openness and good communication also facilitates the socialization and understanding of strategy throughout the company. During the implementation phase, a strategy alignment culture fosters employee engagement and participation in strategy implementation. Finally, transparency and accountability in the organizational culture allow for an ongoing process of strategy evaluation and adjustment.

To align the culture and business strategy of the digital era, companies must implement best practices such as involving employees from the beginning of the change process, strengthening leadership to support change, implementing a reward system that is aligned with new values and effective use of information technology, conducting regular cultural assessments, and being inclusive. While implementing the strategy, the organization should also align its policies, procedures and practices with the desired organizational culture. This includes establishing core values, aligning systems and procedures, establishing employee communication and engagement, providing training and development, conducting monitoring and evaluation, and demonstrating leadership commitment. These alignment efforts should also consider factors such as the external environment, organizational culture, embodied values, and leadership style.

Hafke, et al (2017), and Vey, et al (2017)(2017), highlight that "an organizational culture that embraces change, takes risks, and encourages creativity enables digital transformation to succeed." These findings reinforce the arguments in this study about the importance of proactivity and flexibility in organizational culture to meet the challenges and opportunities of the digital age.

Successful strategy execution in the digital age requires companies to remain flexible, innovative and responsive to rapid change. Aligning organizational culture with business strategy is key to enabling companies to adapt to a dynamic and challenging business environment and gain sustainable competitive advantage. Organizations that can build a culture that supports strategy execution have a significant competitive advantage in today's digital era. Thus, the results of previous research consistently support the findings in this study that aligning organizational culture with business strategy is key to dealing with rapid change and gaining a competitive advantage in the digital age. This research contributes by strengthening that argument and highlighting practices that companies can implement to achieve culture and strategy alignment.

#### 4. CONCLUSION

This literature research shows that organizational culture plays an important role in the successful implementation of business strategies in the digital era. In accordance with research by Efendi, et al (2023). "A strong organizational culture aligned with business strategy supports successful strategy implementation." Aspects of organizational culture such as innovation orientation, openness to change, customer focus, collaboration, and open communication have proven beneficial in the digital era. Naranjo, Valencia, et al (2016), found that an organizational culture focused on innovation and learning is positively related to successful business strategy implementation.

Corporate culture influences the entire strategy implementation cycle, from strategy formulation, communication, execution, to evaluation and adjustment. To align culture with business strategy in the digital era, companies need to engage employees, strengthen leadership, implement an aligned reward system, use information technology, conduct regular cultural assessments, and design cultural development programs.

Previous research, such as that conducted by Hafke, et al, (2017), and Vey, et al, (2017), highlighted that an organizational culture that embraces change, takes risks, and encourages creativity enables digital transformation to succeed. Successful strategy implementation in the digital era requires companies to remain flexible, innovative and responsive to change. Aligning organizational culture with business strategy is key to enabling companies to adapt to a dynamic and challenging business environment and gain sustainable competitive advantage.

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