

Digital Transformation and Strategic Performance: The Mediating Role of Innovation Capability and the Moderating Effect of Organizational Culture

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ABSTRACT

Background: Digital transformation has become essential for improving organizational performance in dynamic environments. However, the mechanisms through which it enhances strategic performance remain insufficiently explored, particularly in developing contexts such as Palestine.

Purpose: This study examines the impact of digital transformation on strategic performance, focusing on the mediating role of innovation capability and the moderating effect of organizational culture.

Method: A quantitative, cross-sectional design was employed. Data were collected from 250 employees in Palestinian organizations using a structured questionnaire (35 items). The measurement model was validated using EFA and CFA, while reliability was confirmed ($\alpha = 0.89-0.93$). Hypotheses were tested using SEM and PROCESS Macro.

Findings: The results revealed that digital transformation significantly enhances strategic performance ($\beta = 0.66$, $p < 0.001$). Innovation capability partially mediates this relationship ($\beta = 0.41$), indicating that organizations translate digital investments into performance through innovation. Organizational culture significantly moderates the relationship ($\beta = 0.21$, $p < 0.01$), strengthening the impact of digital transformation under supportive cultural conditions. These findings highlight the importance of internal capabilities and contextual factors in achieving performance outcomes.

Conclusion: Digital transformation alone is insufficient; its effectiveness depends on innovation capability and organizational culture.

Recommendations: Organizations should enhance innovation practices, promote supportive cultures, and invest in digital capabilities. Policymakers should facilitate digital readiness and cultural alignment.

Keywords: Digital Transformation; Strategic Performance; Innovation Capability; Organizational Culture; Palestine.

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Introduction

Background of the Study

In recent years, digital transformation has emerged as a critical driver of organizational competitiveness and long-term sustainability. Organizations increasingly rely on digital technologies to enhance operational efficiency, improve decision-making, and achieve superior performance outcomes. In this context, digital transformation is not limited to technological adoption but extends to strategic alignment, organizational processes, and innovation capabilities (Liu & Wang, 2025; Chen et al., 2024).

Strategic performance reflects an organization's ability to achieve long-term goals and maintain competitive

advantage. Studies indicate that digital transformation positively influences performance by enabling firms to develop new capabilities and enhance innovation (Zhang et al., 2025; Senadjki et al., 2024).

One of the key mechanisms through which digital transformation impacts performance is innovation capability, which refers to an organization's ability to generate, adopt, and implement new ideas. Prior research suggests that innovation capability acts as a mediator between digital transformation and performance outcomes (Xu & Yin, 2025; Odai et al., 2026).

Furthermore, organizational culture plays a crucial role in shaping the effectiveness of digital transformation

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initiatives. A supportive culture enhances knowledge sharing, innovation, and adaptability, while a rigid culture may hinder digital transformation efforts (Amankona et al., 2025; Rizki & Hamzah, 2025).

Despite the growing body of literature, there is limited empirical research integrating digital transformation, innovation capability, and organizational culture within a unified framework, particularly in developing contexts. Therefore, this study seeks to address this gap.

Problem Statement

Although digital transformation has been widely recognized as a key driver of organizational performance, the mechanisms through which it influences strategic performance remain insufficiently explored. Specifically, limited studies have examined the mediating role of innovation capability and the moderating effect of organizational culture in this relationship.

Additionally, organizations in developing regions face challenges in effectively implementing digital transformation due to cultural and structural constraints. This highlights the need for a comprehensive model that explains how digital transformation leads to improved strategic performance.

Research Objectives

This study aims to:

1. Examine the effect of digital transformation on strategic performance
2. Investigate the mediating role of innovation capability
3. Explore the moderating effect of organizational culture
4. Develop an integrated model linking these variables

Research Questions

1. Does digital transformation affect strategic performance?
2. Does innovation capability mediate this relationship?
3. Does organizational culture moderate the relationship?

Research Hypotheses

H1: Digital transformation positively affects strategic performance

H2: Digital transformation positively affects innovation capability

H3: Innovation capability positively affects strategic performance

H4: Innovation capability mediates the relationship

H5: Organizational culture moderates the relationship

Significance of the Study

This study contributes to both theoretical and practical domains by advancing the existing literature on digital transformation and its impact on strategic performance. It provides a comprehensive understanding of how digital transformation enhances organizational outcomes through the mediating role of innovation capability and the moderating effect of organizational culture. From a practical perspective, the study offers valuable insights for decision-makers and organizational leaders by highlighting the importance of aligning digital initiatives with innovation practices and supportive cultural environments. Furthermore, it proposes an integrated model that can guide organizations in improving their strategic performance, particularly within resource-constrained and dynamic contexts such as Palestine.

Literature Review

Digital Transformation

Digital transformation (DT) has become a central strategic priority for organizations seeking to enhance competitiveness and long-term performance. It involves the integration of digital technologies into organizational processes, business models, and strategic decision-making (Stoumpos et al., 2023). Beyond technological adoption, DT represents a transformation in how organizations create value, respond to environmental uncertainty, and sustain performance.

Empirical studies consistently report a positive association between digital transformation and organizational outcomes. For instance, Liu and Wang (2025) found that DT significantly improves performance by enhancing innovation capability and ESG outcomes. Similarly, Xu and Yin (2025) demonstrated that DT indirectly influences performance through technological innovation and financial mechanisms. These findings are further supported by Zhou et al. (2025), who argued that DT contributes to sustainable development by improving operational efficiency and strategic alignment.

However, despite this consensus, some studies highlight variability in DT outcomes. Wang and Tang (2024) distinguish between substantive and symbolic digital innovation, suggesting that not all digital initiatives lead to meaningful performance improvements. This indicates that the effectiveness of DT depends on how deeply it is embedded within organizational structures and processes.

Strategic Performance

Strategic performance reflects an organization's ability to achieve long-term objectives, sustain competitive

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advantage, and adapt to dynamic market conditions. It encompasses both financial and non-financial outcomes, including efficiency, innovation, and adaptability.

Recent studies emphasize the role of digital capabilities in enhancing strategic performance. Zhang et al. (2025) found that digital transformation capability significantly improves firm performance through strategic leadership and decision-making processes. Similarly, Chen et al. (2024) argued that DT acts as a driving force for sustainable business performance by enabling business model innovation. Nevertheless, the literature suggests that DT does not directly guarantee improved performance. Senadjki et al. (2024) demonstrated that digital leadership and organizational capabilities are essential in translating digital transformation into performance outcomes. This highlights the importance of intermediate mechanisms, such as innovation capability, in explaining the DT–performance relationship.

Innovation Capability as a Mediating Mechanism

Innovation capability refers to an organization's ability to generate, implement, and sustain new ideas, processes, and technologies. It is widely recognized as a key dynamic capability that enables organizations to convert digital investments into performance gains.

Several studies provide strong evidence for the mediating role of innovation capability. Xu and Yin (2025) found that technological innovation acts as a chain mediator between digital transformation and ESG performance. Similarly, Odai et al. (2026) demonstrated that DT enhances innovation capability through knowledge sharing and leadership practices, which subsequently improves organizational performance.

Chen et al. (2024) further argue that DT facilitates innovation by enabling organizations to redesign their business models and adopt advanced technologies. However, not all organizations are equally capable of leveraging DT for innovation. Mahmood et al. (2024) suggest that the effectiveness of DT depends on organizational readiness, leadership, and digital maturity.

These findings indicate that innovation capability is not merely an outcome of DT but a critical mechanism that explains how DT translates into strategic performance.

Organizational Culture as a Moderating Variable

Organizational culture plays a pivotal role in shaping the success of digital transformation initiatives. It reflects shared values, norms, and practices that influence employees' behavior and organizational

adaptability.

Research suggests that a supportive organizational culture enhances the effectiveness of DT by fostering innovation, collaboration, and knowledge sharing. Amankona et al. (2025) found that digital organizational culture significantly improves innovation performance by facilitating strategic alignment and employee engagement. Similarly, Al Hawamdeh and Al-Edenat (2025) demonstrated that culture strengthens the relationship between digital leadership and innovation outcomes.

Conversely, rigid or traditional cultures may hinder digital transformation efforts. Rizki and Hamzah (2025) emphasize that organizational culture can act as either an enabler or a barrier to technological innovation, depending on its flexibility and openness to change. These findings suggest that organizational culture moderates the impact of DT on performance by influencing how effectively organizations adopt and utilize digital technologies.

Integration of Variables and Research Gap

While prior research has extensively examined digital transformation, innovation capability, and organizational culture, most studies have focused on direct relationships or isolated effects. Few studies have integrated these variables within a comprehensive model that explains the mechanisms and boundary conditions of the DT–performance relationship.

Specifically, the literature reveals three key gaps: limited research examining innovation capability as a mediating mechanism between DT and strategic performance. Insufficient attention to the moderating role of organizational culture in shaping this relationship. Lack of integrated models that combine DT, innovation, and culture within a unified framework

Moreover, most empirical studies are conducted in developed economies, with limited evidence from developing contexts. This is particularly important, as organizations in such contexts often face structural and cultural challenges that influence digital transformation outcomes.

Therefore, this study aims to address these gaps by developing and testing an integrated model that examines how digital transformation influences strategic performance through innovation capability, while considering the moderating effect of organizational culture.

Methodology

Research Design

This study employed a quantitative, cross-sectional

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design to examine the relationships between digital transformation, innovation capability, organizational culture, and strategic performance. This design is appropriate for testing mediation and moderation effects using statistical modeling.

Study Setting

This study was conducted in organizations operating in Palestine, including both public and private sector institutions that are actively engaged in digital transformation initiatives. These organizations operate within a dynamic and challenging environment characterized by economic constraints, limited resources, and rapid technological changes. The Palestinian context provides a relevant setting for examining digital transformation, as organizations increasingly rely on digital technologies to enhance efficiency, improve service delivery, and achieve strategic performance (Stoumpos et al., 2023; Mahmood et al., 2024). Moreover, digital transformation has been recognized as a key driver of organizational competitiveness and performance, particularly in environments facing structural and economic challenges (Zhou et al., 2025; Chen et al., 2024).

In addition, organizations in Palestine face external pressures such as market uncertainty, infrastructure limitations, and resource constraints, which influence the effectiveness of digital transformation initiatives. In such contexts, innovation capability and organizational culture play critical roles in enabling organizations to successfully implement digital strategies and achieve improved performance outcomes (Amankona et al., 2025; Odai et al., 2026). Therefore, the selected setting provides a meaningful context for investigating the relationships between digital transformation, innovation capability, organizational culture, and strategic performance.

Study Population

The study targeted employees working in organizations undergoing digital transformation, including administrative and managerial staff involved in digital initiatives and strategic decision-making.

Sample Size and Sampling Technique

A sample of 250 participants was selected using a convenience sampling technique due to accessibility considerations. This sample size is adequate for conducting Structural Equation Modeling (SEM) and ensures sufficient statistical power.

Data Collection Instrument

Data were collected using a structured self-administered questionnaire consisting of 35 items, divided into four main constructs: digital

transformation, innovation capability, strategic performance and organizational culture. All items were measured using a 5-point Likert scale (1 = Strongly Disagree to 5 = Strongly Agree).

Validity and Reliability

The measurement instrument was validated using: Exploratory Factor Analysis (EFA) to assess construct structure. Confirmatory Factor Analysis (CFA) to validate the measurement model. Reliability analysis was conducted using Cronbach's alpha coefficient to assess the internal consistency of the measurement instruments. Values above 0.70 are considered acceptable, while values above 0.80 indicate high reliability. Table (1) presents the results.

Table (1): Reliability Analysis

Variable	Number of Items	Cronbach's Alpha	Interpretation
Digital Transformation	9	0.91	Excellent
Innovation Capability	9	0.92	Excellent
Strategic Performance	10	0.93	Excellent
Organizational Culture	7	0.89	Very Good

The results in Table 1 indicate that all constructs demonstrated high internal consistency. Strategic performance showed the highest reliability ($\alpha = 0.93$), followed by innovation capability ($\alpha = 0.92$) and digital transformation ($\alpha = 0.91$), all classified as excellent.

Organizational culture achieved a Cronbach's alpha of 0.89, indicating very good reliability. These results confirm that the measurement instrument is reliable and suitable for further statistical analysis within the Palestinian organizational context.

Pilot Study

A pilot study was conducted with 30 participants (excluded from the final sample) to evaluate clarity, reliability, and suitability of the questionnaire. Minor modifications were made based on the results.

Data Analysis

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Data were analyzed using: SPSS for descriptive statistics and reliability analysis. Structural Equation Modeling (SEM) for hypothesis testing. PROCESS Macro to assess mediation and moderation effects

Ethical Considerations

Ethical standards were strictly maintained throughout the study. Participants were fully informed about the purpose of the research, and informed consent was obtained prior to data collection. Participation was entirely voluntary, and respondents had the right to withdraw from the study at any time without any consequences. In addition, the study ensured confidentiality and anonymity, as no personal identifying information was collected, and all data were used solely for research purposes. These measures were implemented to protect participants' rights and to ensure the integrity and ethical conduct of the research.

Results and Data Analysis

Demographic Characteristics of the Participants

Descriptive statistical analysis was conducted using frequencies and percentages to describe the demographic characteristics of the study participants. This analysis provides an overview of the sample distribution across key variables. Table 2 presents the demographic profile of the respondents.

Table 2: Demographic Characteristics of Participants (N = 250)

Variable	Category	Frequency (n)	Percentage (%)
Gender	Male	112	44.8%
	Female	138	55.2%
Age	Less than 25	34	13.6%
	25–34	96	38.4%
	35–44	68	27.2%
	45 and above	52	20.8%
Education Level	Diploma	40	16.0%
	Bachelor	140	56.0%
	Master	54	21.6%

Job Position	PhD	16	6.4%
	Employee	110	44.0%
	Supervisor	60	24.0%
	Manager	48	19.2%
Experience	Executive	32	12.8%
	Less than 5 years	60	24.0%
	5–10 years	90	36.0%
	11–15 years	52	20.8%
Sector	More than 15 years	48	19.2%
	Public	132	52.8%
	Private	94	37.6%
	Other	24	9.6%

The results in Table 2 show that the majority of participants were female (55.2%), compared to 44.8% males, indicating a balanced gender distribution.

Regarding age, the largest group (38.4%) was between 25–34 years, followed by 27.2% aged 35–44 years, suggesting that most respondents are in the active working-age group.

In terms of education, the majority held a Bachelor's degree (56.0%), followed by Master's degree holders (21.6%), reflecting a relatively well-educated sample. For job position, employees represented the largest group (44.0%), followed by supervisors (24.0%), indicating a diverse representation of organizational levels.

Regarding experience, most participants (36.0%) had 5–10 years of experience, suggesting moderate professional exposure.

Finally, more than half of the participants (52.8%) were from the public sector, while 37.6% were from

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the private sector.

Overall, the sample demonstrates diversity across demographic characteristics, enhancing the representativeness of the study.

Descriptive Statistics for Study Variables

Descriptive statistical analysis was conducted using means and standard deviations to assess the levels of the main study variables, including digital transformation, innovation capability, strategic performance, and organizational culture within Palestinian organizations. The level of each variable was interpreted based on a 5-point Likert scale as follows: low (1.00–2.33), moderate (2.34–3.67), and high (3.68–5.00). Table 3 presents the results.

Table 3: Descriptive Statistics of Study Variables (N = 250)

Variable	Mean	Std. Deviation	Level
Digital Transformation	3.81	0.65	High
Innovation Capability	3.88	0.60	High
Strategic Performance	3.92	0.58	High
Organizational Culture	3.75	0.67	High

The results in Table 3 indicate that all study variables scored high mean levels, reflecting a strong presence of digital transformation and related capabilities within Palestinian organizations.

Specifically, strategic performance recorded the highest mean ($M = 3.92$, $SD = 0.58$), followed by innovation capability ($M = 3.88$, $SD = 0.60$) and digital transformation ($M = 3.81$, $SD = 0.65$). This suggests that organizations in Palestine are increasingly leveraging digital transformation to enhance performance outcomes.

Additionally, organizational culture also scored a high level ($M = 3.75$, $SD = 0.67$), indicating that cultural factors generally support innovation and transformation efforts. This is particularly important in the Palestinian context, where organizations operate under economic and structural constraints, yet still demonstrate adaptability and strategic alignment.

Overall, these findings suggest that Palestinian organizations exhibit a relatively strong foundation in digital transformation and innovation, which positively reflects on their strategic performance.

4.4 Exploratory Factor Analysis (EFA)

Exploratory Factor Analysis (EFA) was conducted to assess the underlying structure of the measurement items and examine construct validity. Factor loadings above 0.70 were considered acceptable. Table 4

presents the factor loadings and variance explained.

Table 4: Factor Loadings and Variance Explained

Construct	Item	Factor Loading	Eigenvalue	Variance Explained (%)
Digital Transformation (DT)	D T1	0.79	5.92	65.3%
	D T2	0.82		
	D T3	0.77		
	D T4	0.84		
	D T5	0.80		
	D T6	0.78		
	D T7	0.83		
	D T8	0.76		
	D T9	0.81		
Innovation Capability (IC)	IC 1	0.81	6.15	66.7%
	IC 2	0.83		
	IC 3	0.79		
	IC 4	0.85		
	IC	0.80		

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	5				O 0.76 C3
	IC	0.78			
	6				O 0.82 C4
	IC	0.84			
	7				O 0.79 C5
	IC	0.77			
	8				O 0.77 C6
	IC	0.82			
	9				O 0.83 C7
Strategic Performance (SP)	SP	0.82	6.48	67.4%	
	1				
	SP	0.84			
	2				
	SP	0.81			
	3				
	SP	0.86			
	4				
	SP	0.79			
	5				
SP	0.83				
6					
SP	0.80				
7					
SP	0.78				
8					
SP	0.85				
9					
SP	0.82				
10					
Organizational Culture (OC)	O	0.78	5.10	64.8%	
	C1				
	O	0.81			
	C2				

All factor loadings exceeded the recommended threshold of 0.70, indicating strong item reliability. Eigenvalues for all constructs were greater than 1.0, confirming the adequacy of factor extraction. The total variance explained ranged between 64.8% and 67.4%, exceeding the acceptable threshold of 60% in social science research.

The results presented in Table (4.4) indicate that all constructs demonstrated strong factor loadings, ranging from 0.75 to 0.86, exceeding the acceptable threshold of 0.70. Additionally, eigenvalues for all constructs were greater than 1.0, confirming the adequacy of factor extraction.

The total variance explained ranged between 64.9% and 67.2%, indicating that the constructs account for a substantial proportion of variance. These findings confirm strong construct validity and support the suitability of the measurement model for further analysis.

4.5 Confirmatory Factor Analysis (CFA)

Confirmatory Factor Analysis (CFA) was conducted using AMOS to validate the measurement model and assess overall model fit for the constructs (Digital Transformation, Innovation Capability, Strategic Performance, and Organizational Culture) within Palestinian organizations. Model fit was evaluated using standard indices. Table 5 presents the results.

Table 5: CFA Model Fit Indices

Fit Index	Value	Recommended Threshold	Interpretation
Chi-square/df	2.38	< 3.00	Good fit

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CFI	0.96	≥ 0.90	Excellent
TLI	0.95	≥ 0.90	Excellent
RMSEA	0.05	≤ 0.08	Good
A	5		
SRMR	0.04	≤ 0.08	Good
	2		

The results in Table 5 indicate a good overall model fit. The ratio of Chi-square to degrees of freedom ($\chi^2/df = 2.38$) is within the acceptable threshold. The CFI (0.96) and TLI (0.95) values exceed the recommended level, indicating excellent model fit. Additionally, the RMSEA (0.055) and SRMR (0.042) values fall below the maximum acceptable limits, confirming low approximation error.

These results validate the measurement model and confirm that the constructs adequately represent the data within the Palestinian context, supporting further structural analysis.

4.6 Hypotheses Testing (SEM, Mediation, and Moderation)

4.6.1 Correlation Analysis

Pearson correlation analysis was conducted to examine the relationships among the study variables prior to structural modeling. Table 6 presents the correlation coefficients.

Table 6: Correlation Matrix

Variable	DT	IC	SP	O C
Digital Transformation (DT)	1			
Innovation Capability (IC)	0.74 **	1		
Strategic Performance (SP)	0.78 **	0.81 **	1	
Organizational Culture (OC)	0.69 **	0.72 **	0.75 **	1

Note: ** $p < 0.01$

The results indicate strong and significant positive correlations among all variables. Digital transformation is highly correlated with strategic

performance ($r = 0.78, p < 0.01$) and innovation capability ($r = 0.74, p < 0.01$). Moreover, innovation capability shows the strongest relationship with strategic performance ($r = 0.81, p < 0.01$), highlighting its importance as a mediating mechanism.

These findings support the theoretical model and justify proceeding with hypothesis testing.

Direct Effect (SEM Results)

Structural Equation Modeling (SEM) was conducted to test the direct effect of digital transformation on strategic performance.

Table 7: Direct Effect Results

Path	Beta (β)	t-value	p-value
DT → SP	0.66	12.15	0.000

$R^2 = 0.61$ $F = 142.8$ ($p < 0.00$)

The results indicate that digital transformation has a significant positive effect on strategic performance ($\beta = 0.66, p < 0.001$). The model explains 61% of the variance, indicating strong explanatory power.

Thus, H1 is supported, confirming that digital transformation enhances performance in Palestinian organizations.

Mediation Analysis (Innovation Capability)

Mediation analysis was conducted using PROCESS Macro (Model 4) to test the mediating role of innovation capability.

Table 8: Mediation Results

Path	Beta	p-value
DT → IC	0.74	0.000
IC → SP	0.55	0.000
DT → SP (Direct)	0.29	0.000
DT → SP (Indirect)	0.41	0.000

The results indicate that digital transformation significantly influences innovation capability ($\beta = 0.74$), which in turn significantly affects strategic performance ($\beta = 0.55$).

The indirect effect ($\beta = 0.41$) confirms the presence of partial mediation, as the direct effect remains significant. This indicates that innovation capability is a key mechanism through which digital transformation enhances performance.

Thus, H2, H3, and H4 are supported.

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Moderation Analysis (Organizational Culture)

Moderation analysis was conducted using PROCESS Macro (Model 1) to test the moderating role of organizational culture.

Table 9: Moderation Results

Variable	Beta	p-value
Digital Transformation	0.58	0.000
Organizational Culture	0.31	0.002
DT × OC	0.21	0.005

The interaction effect ($\beta = 0.21$, $p < 0.01$) is statistically significant, indicating that organizational culture moderates the relationship between digital transformation and strategic performance.

The positive coefficient suggests that a supportive organizational culture strengthens the positive impact of digital transformation on performance. This is particularly relevant in the Palestinian context, where cultural alignment plays a crucial role in enabling digital initiatives. Thus, H5 is supported.

Summary of Hypotheses

Hypothesis	Result
H1	Supported
H2	Supported
H3	Supported
H4	Supported
H5	Supported

Discussion, Conclusion, and Recommendations

Discussion of Findings

This study examined the impact of digital transformation on strategic performance, with a focus on the mediating role of innovation capability and the moderating effect of organizational culture within Palestinian organizations.

Overall, the findings indicate that organizations in Palestine demonstrate relatively high levels of digital transformation, innovation capability, and strategic performance. Despite operating in a context characterized by economic constraints and structural challenges, these organizations show strong adaptability and strategic responsiveness.

Digital Transformation and Strategic Performance

The results revealed that digital transformation has a significant positive effect on strategic performance ($\beta = 0.66$, $p < 0.001$). This finding suggests that organizations that effectively integrate digital technologies into their operations achieve better performance outcomes.

This result is consistent with Liu and Wang (2025), who found that digital transformation enhances performance through improved innovation and strategic alignment. Similarly, Zhou et al. (2025) emphasized that digital transformation contributes to sustainable development by improving efficiency and decision-making processes.

In the Palestinian context, this finding highlights the importance of digital transformation as a strategic tool to overcome environmental uncertainties and enhance competitiveness.

The Mediating Role of Innovation Capability

The study confirmed that innovation capability partially mediates the relationship between digital transformation and strategic performance. Digital transformation significantly influenced innovation capability ($\beta = 0.74$, $p < 0.001$), which in turn significantly affected performance ($\beta = 0.55$, $p < 0.001$).

This finding aligns with Xu and Yin (2025), who identified technological innovation as a key mediator between digital transformation and performance outcomes. Similarly, Odai et al. (2026) demonstrated that digital transformation enhances innovation capability through knowledge sharing and leadership practices.

These results indicate that digital transformation alone is not sufficient; organizations must develop strong innovation capabilities to translate digital initiatives into performance gains.

The Moderating Role of Organizational Culture

The findings also revealed that organizational culture significantly moderates the relationship between digital transformation and strategic performance ($\beta = 0.21$, $p < 0.01$).

This suggests that a supportive and flexible organizational culture enhances the effectiveness of digital transformation initiatives. These findings are consistent with Amankona et al. (2025), who emphasized the role of digital organizational culture in improving innovation and performance.

In contrast, rigid organizational cultures may limit the benefits of digital transformation. This is particularly relevant in Palestinian organizations, where cultural adaptation plays a critical role in enabling technological change.

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Overall Model Interpretation

The study results confirm that strategic performance is influenced by a combination of technological, organizational, and cultural factors. Digital transformation acts as the primary driver, innovation capability serves as the mechanism through which transformation leads to performance, and organizational culture determines the strength of this relationship.

This integrated perspective provides a comprehensive understanding of how organizations can achieve sustainable performance in dynamic environments.

Conclusion

Based on the findings, the study concludes that digital transformation is a key determinant of strategic performance in organizations. Innovation capability plays a critical mediating role, enabling organizations to convert digital investments into tangible outcomes. Organizational culture significantly influences the effectiveness of digital transformation, strengthening or weakening its impact on performance. Palestinian organizations demonstrate strong adaptability despite operating under challenging conditions.

Practical Implications

The study provides several practical implications:

Organizations should invest in digital transformation strategies aligned with long-term goals. There is a need to strengthen innovation capability through training, knowledge sharing, and R&D investment. Leaders should foster a supportive organizational culture that encourages change, collaboration, and innovation. Policymakers should support digital infrastructure and organizational transformation initiatives.

Recommendations

Organizational Level

Enhance digital infrastructure and technology adoption. Promote a culture of innovation and continuous improvement. Strengthen leadership support for digital initiatives

Policy Level

Provide funding and incentives for digital transformation. Support innovation ecosystems and research initiatives. Develop policies that encourage digital adoption

Research Level

Conduct longitudinal studies to examine long-term effects. Explore additional variables such as leadership and digital maturity. Apply the model in different sectors and countries

Limitations

The study used a cross-sectional design, limiting

causal inference. The use of convenience sampling may affect generalizability. The study focused on a single context (Palestine)

Future Research Directions

Future research should:

Use longitudinal and experimental designs. Expand the study to different sectors and regions. Investigate additional moderating and mediating variables

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Questionnaire Digital Transformation and Strategic Performance in Organizations

Section 1: Demographic Data

Please tick (✓) the appropriate answer:

- Gender
 Male Female
- Age
 <25 25–34 35–44 ≥45
- Educational Level
 Diploma Bachelor Master PhD
- Job Position

Employee Supervisor Manager Executive

5. Years of Experience

<5 5–10 11–15 >15

6. Sector

Public Private Other

Instructions

Please indicate your level of agreement:

1 = Strongly Disagree

2 = Disagree

3 = Neutral

4 = Agree

5 = Strongly Agree

Section 2: Digital Transformation (9 items)

- Our organization uses digital technologies to improve operations.
- Digital tools are integrated into daily work processes.
- The organization continuously upgrades its digital systems.
- Digital transformation is aligned with organizational strategy.
- Management supports digital innovation initiatives.
- Employees are encouraged to adopt digital solutions.
- Digital technologies improve decision-making.
- The organization invests in digital infrastructure.
- Digital transformation enhances service quality.

Section 3: Innovation Capability (9 items)

- The organization frequently introduces new ideas.
- Employees are encouraged to innovate.
- The organization supports experimentation and creativity.
- New products/services are developed regularly.
- The organization adopts innovative solutions quickly.
- There is a culture of continuous improvement.
- Innovation is supported by management.
- The organization invests in research and development.
- Employees collaborate to generate new ideas.

Section 4: Strategic Performance (10 items)

- The organization achieves its strategic goals effectively.

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20. Performance has improved due to digital transformation.
 21. The organization maintains competitive advantage.
 22. The organization adapts to market changes effectively.
 23. Organizational productivity is high.
 24. Service quality meets customer expectations.
 25. The organization responds quickly to challenges.
 26. Decision-making is efficient and effective.
 27. The organization achieves sustainable growth.
 28. Overall organizational performance is strong.
- Section 5: Organizational Culture (7 items)**
29. The organizational culture supports innovation.
 30. Employees are open to change.
 31. The organization encourages teamwork.
 32. Knowledge sharing is common in the organization.
 33. Leadership promotes a positive work environment.
 34. The organization supports learning and development.
 35. The culture encourages digital transformation initiatives.