Proceedings of the 10th International Conference on Economic Management and Green Development
DOI: 10.54254/2754-1169/2026.36925

The Influence of Leadership and Strategy Making on Innovation and Digital Transformation Success

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Abstract. Digital transformation has become a priority strategy for organisations that seek to remain competitive in an increasingly digital-dominant business environment. However, despite many organisations investing massively in a number of technologies, the results of the transformation vary. This article examines much leadership and the leadership of the strategy of decision influence the results of the numeric transformation, and we use a comparative analysis of Microsoft and Kodak. In response to the literature related to numerical transformation, to the organisational culture, to innovation, to the allocation of resources and the guidance of the top direction, this analysis examines the contrasting experiences of the two enterprises. Under Satya Nadella, Microsoft successfully transformed its business through a clear strategic approach. In other words, Kodak has not adapted to the digital revolution, but it is developing three of the technologies of digital photography; this is mainly about a conservative direction. In comparison, the success of digital transformation depends not only on technical ability but also on leadership, organisational culture, and strategic decision-making. The results of the study provide insights from both theoretical and practical aspects, focusing on the organisational factors that contribute to the success of several transformations, and providing guidance for managers who implement several transformation strategies.

Keywords: Digital transformation, leadership, strategic decision making, Microsoft, Kodak

1. Introduction

In recent years, due to the rapid development of digital technologies such as Artificial Intelligence (AI), big data, and cloud computing, digital transformation has become an important component and strategic priority for many organisations, which continues to reshape organisational processes, business models, and decisions [1]. Regarding the development of digital technology and the increasing market competition, the company has invested heavily in digital transformation plans to improve sustainable competitive advantages and performance. Despite their strong commitment to digital transformation plans, many organizations continue to encounter difficulties in implementation and fail to achieve the expected results. This shows that investment in technology may not promote successful transformation.

Although the existing literature has determined that digital transformation strategy, organizational culture, resource allocation and leadership are the main factors affecting the development of digital

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transformation. These factors are usually checked separately. Few studies combine these organisational dimensions through comparative case studies to explain why some organisations can successfully achieve digital transformation while others fail. This article aims to study the extent to which leadership and strategic decision-making determine the success or failure of digital transformation.

This article may provide insights for researchers and managers by providing insights on how leadership, organizational culture and strategic decision-making can contribute to the success of digital transformation. Using Kodak and Microsoft as a case of reference that distinguishes successful / failed transformations. This paper examines how top management and strategic decision-making shape the success of digital transformation.

2. Literature review

The strategic shift is consistent with Sharma, who argues that after Satya Nadella became CEO in 2014, Microsoft's digital transformation accelerated [2]. The company has shifted from a traditional software business to a "cloud priority" and artificial intelligence-driven strategy, and Microsoft Azure has become one of its core businesses. In contrast, Kodak failed to take advantage of its early digital photography technology. Despite the rapid technological change, he continued to focus on the traditional film business. This finding is supported by Niño, who argues that Kodak's failure resulted from its inability to commercialise digital innovation [3]. Scholars also argue that digital transformation success is closely linked to an integrated strategy involving organisational, technological and financial aspects [1]. This aspect indicates that digital transformation is a complex organisational process that involves alignment across multiple areas.

Microsoft promoted a culture of "growth mindset" that advocates learning, collaboration, and innovation under Nadella's leadership. This reflects the argument of Dörner and Rundel that organisational learning allows firms to adapt to digital change [4]. As such, the cultural change inspires employees to embrace digital transformation. Accordingly, Kodak sustained a more conservative organisational culture, which favoured its existing coil business and weakened its ability to cope with digital subversion. At the same time, Cao et al. support that organisational culture is crucial to recover digital transformation capability and innovation performance [5]. As a result, the success of digital transformation not only relies on technological sources but also on organisational culture, as organisational culture is often affected by tactical decisions as well as leadership choices. Therefore, the leadership may play an oblique role in determining the success of digital.

Nadella displayed leadership by redefining Microsoft's strategic vision, which boosted investment in cloud computing and inspired organisational learning. Accordingly, the leadership decisions accelerated Microsoft's transformation. As such, it continued to give priority to the development of traditional products, though Kodak's management was aware of the rise of digital photography, which constrained the company's ability to adapt. As a result, it is supported by Porfirio et al., suggesting that leadership plays a vital role in promoting digital transformation [6]. Therefore, the study proposes that effective leaders can facilitate innovation and support the operation of technological applications.

2.1. Innovation

Innovation is the key driving force of digital transformation, which permits organisations to develop new products, new services, and new business models to respond to technological change. As such,

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Microsoft endeavours to improve its innovative capabilities by investing in cloud computing, artificial intelligence, and digital platforms. Accordingly, the company extended Azure, advanced Microsoft Teams, integrated GitHub into its software ecosystem, and integrated artificial intelligence into products such as Microsoft Copilot. At the same time, the innovations permit Microsoft to continue to create value and sustain a competitive advantage.

As a result, Kodak is different, and it failed to turn the technological innovation into a commercial success, though the company initiated digital camera technology. Moreover, Kodak gave priority to protecting its existing film business, which permitted competitors such as Canon and Sony to dominate the digital photography market. Therefore, the comparison displays that innovation can promote digital transformation when the organisation is willing to commercialise new technologies and adjust its business model in line with the changing market environment. Appio et al. also argue that digital transformation and innovation are closely linked to the generation of sustainable organisational competitiveness [7].

2.2. Top management sustenance

The support of senior managers plays a crucial role in the digital transformation because they provide strategic direction, organisational commitment, and the power needed to implement change. Therefore, Satya Nadella has promoted digital transformation at Microsoft. Therefore, specific measures include redefining the company's tactical priorities, advocating a "growth mindset" culture, and stimulating cross-functional cooperation among business units. Therefore, his firm commitment confirms that digital transformation is the priority of the organisational. At the same time, it still insists on maintaining its traditional tape business.

In addition, the lack of support weakens the organisation's willingness to carry out digital initiatives by senior executives, which hinders the company's ability to cope with the technological disruption. Therefore, the comparison shows that the strong support of senior management is crucial to overcoming organisational resistance, unifying strategic goals, and confirming success of Microsoft and Kodak's digital transformation. Similarly, Zhang et al. believe that the effectiveness of technology investment largely depends on digital transformation strategy and the support of senior management [8].

2.3. Resource allocation

Effective resource allocation is vital to digital transformation because it defines the ability of organisation to develop the ability to implement strategic change. Thus, after Satya Nadella become CEO, Microsoft invested a large amount of money and technology resources in cloud infrastructure, artificial intelligence, and digital services. Accordingly, huge investment enables Microsoft to accelerate innovation and improves its long-term competitiveness in Azure data centres, artificial intelligence research, and digital platforms.

At the same time, although Kodak has noticed the rise of digital photography, it continues to invest heavily in its traditional film manufacturing business. As a result, the company prioritised the short-term profitability of its traditional business. Furthermore, the strategic resource allocation limits Kodak's ability to compete in the digital market and slows its transformation. Therefore, the cases shows that resource allocation is not only a financial decision but also a strategic decision, which will affect the failure of digital transformation. Nwankpa and Roumani further suggest that information technology capability allows firms to achieve successful digital transformation [9].

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3. Discussion

The cases of Microsoft and Kodak define how leadership and strategic management can profoundly affect digital transformation outcomes. Accordingly, Microsoft successfully transformed its business by embracing cloud computing, artificial intelligence, and digital innovation. As such, Microsoft was able to fortify its competitiveness and adjust to a rapidly changing digital environment through the promotion of a growth mindset culture and making substantial investments in digital technologies. These strategies strengthened Microsoft's ability to adapt to a rapidly changing digital environment and reinforced its long-term competitiveness.

In contrast, Kodak failed to capitalise on the digital photography technology it developed, largely because its leadership continued to prioritise the traditional film business. Their reluctance to shift strategic direction limited the company's ability to respond to technological disruption and ultimately contributed to its decline. Kodak's case demonstrates that even when a company possesses strong technological capability, this alone is not enough to ensure successful transformation if leadership is unwilling to challenge existing business models.

Moreover, the comparison needs more than technological capacity. Precisely, technical innovations are vital in guiding organisational change and supporting long-term transformation efforts. They depend on leadership vision, top management commitment, and effective resource allocation. In Microsoft's case, leadership aligned strategy, culture, and investment to support innovation and growth. In Kodak's case, the lack of strategic adaptability and decisive leadership prevented the company from leveraging its technological advantage.

Therefore, these cases show that leadership and strategic decision-making play a central role in defining whether digital transformation initiatives succeed or fail. Furthermore, Ramesh and Delen estimate that digital transformation initiatives fail because organisations underestimate the importance of leadership rather than technology itself [10].

4. Conclusion

This paper examines how leadership and strategic decision-making affect the success and failure of digital transformation through a comparative analysis of Microsoft & Kodak. As such, the research results display that the success of digital transformation relies on the application of digital technology. Accordingly, it relies on effective leadership, organisational culture, innovation, strategic resource allocation, and the strong support of high-level managers. As a result, the comparison displays that those companies have a better advantage in replying to technological subversion and achieving digital transformation with a clear strategic vision, a supportive organisational culture, as well as a firm, high-level company.

In addition, if a company fails to regulate its leadership style, organisational culture and tactical priorities accordingly, transformation is often difficult to succeed. Therefore, these cases emphasise that digital transformation is a comprehensive organisational change, not a technological upgrade. Microsoft's successful transformation shows how strategic decision-making under the leadership of Satya Nadella can promote organisational innovation and help build long-term competitiveness.

Therefore, Kodak's failure reveals the risk of sticking to the old business model and resisting strategic change. Therefore, the article concludes that leadership and strategic decision-making are the key factors that define the failure of digital transformation. Therefore, the research results emphasise the importance of coordinating leadership, organisational culture, innovation and resource allocation when applying digital transformation strategies. Therefore, they provide practical insights for managers.

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