

The Role of Corporate Governance and Ethics in Facing the Challenges of Digital Transformation

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Abstract : This study aims to analyze the role of corporate governance and ethics in supporting the success of organizational digital transformation, particularly in facing increasingly complex digital risks and challenges. This study uses a qualitative approach with a case study design, in which data is collected through in-depth interviews with key informants and analysis of policy documents related to governance, risk management, and digital ethics. The results show that digital transformation presents major challenges in the form of data security and privacy risks, dependence on digital systems and third parties, unclear oversight responsibilities, and pressure to comply with dynamic digital regulations. The findings also reveal that corporate governance plays an important role as a control mechanism for digital transformation through strategic oversight, accountability, and risk management, while ethics serves as a normative foundation that guides the responsible, fair, and transparent use of technology. The integration of corporate governance and ethics has been proven to strengthen the legitimacy of digital policies, increase stakeholder trust, and serve as an important indicator of the success of sustainable digital transformation. This research has implications for the development of a conceptual model of digital transformation that emphasizes an integrated approach to technological innovation, governance, and ethical values in an organizational context.

Keywords : corporate governance, digital transformation, business ethics, digital risk, organizational sustainability

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1. Introduction

Rapid developments in digital technology, such as artificial intelligence, big data analytics, cloud computing, and various digital platforms, have driven massive digital transformation across various sectors of organizations (Joel et al., 2024). Digital transformation is no longer seen as an option, but rather as a strategic necessity for modern organizations to remain competitive amid ongoing technological disruption (Yaqub & Alsabban, 2023). These changes not only impact operational aspects, but also fundamentally alter the business model, governance structure, and decision-making patterns of the organization. On the one hand, digital transformation opens up opportunities for increased efficiency, innovation, and added value for organizations (Zhang et al., 2022); However, on the other hand, this process also presents various new risks related to technological complexity, environmental uncertainty, and organizational change management challenges. Thus, digital transformation represents a phenomenon of technological disruption that demands comprehensive organizational change (Tomičić-Pupek et al., 2023).

As digital transformation becomes increasingly intensive, organizations face a range of new and increasingly complex challenges and risks. The widespread use of digital technology increases exposure to data security risks, privacy violations, cyber risks, and high dependence on information technology systems (Saeed et al., 2023). In addition, organizations must also deal with the complexity of regulations and evolving compliance requirements, particularly those related to data protection, transparency, and digital responsibility (Oyetunji, 2024). Another challenge arises in the area of oversight and accountability, where decentralized and automated digital systems often complicate the process of control and accountable decision-making. In many cases, the failure of digital transformation is not solely due to technological limitations, but rather to weak control mechanisms, governance, and ethics in managing these digital risks (Creazza et al., 2022). This situation confirms that digital risk, data privacy, cybersecurity, and compliance are crucial issues that require serious attention in the digital transformation process.

Corporate governance plays a strategic role in ensuring that the digital transformation process is focused, controlled, and aligned with the organization's long-term goals (Ingale, 2024). As a system that regulates the relationship between the board of directors, management, and stakeholders, corporate governance functions as a mechanism for oversight and control in strategic decision-making, including decisions related to investment and the implementation of digital technology (Efunniyi et al., 2024). In the context of digital transformation, the role of the board and management is crucial in managing digital risks, ensuring transparency, and maintaining accountability for the use of technology and data (Alonge et al., 2024). Effective governance also encourages organizations to adopt risk management and compliance frameworks that are adaptive to technological developments (Alex-Omiogbemi et al., 2024). Thus, corporate governance not only serves as a formal structure, but also as a foundation for oversight that ensures digital transformation provides added value while minimizing the risks inherent in technological change.

In addition to corporate governance, ethics plays a fundamental role in addressing the challenges of digital transformation (Rosário & Cruz, 2025). The use of digital technology, particularly in relation to data management, artificial intelligence, and automation, raises various ethical issues such as privacy protection, fairness in the use of algorithms, and the potential misuse of information (Kumar et al., 2024). In this context, ethics serves as a foundation of values that guides organizations in making responsible digital decisions that are oriented towards the interests of stakeholders (Fayayola & Olorunfemi, 2023). The application of strong ethical principles helps organizations maintain public trust, enhance legitimacy, and prevent practices that could potentially harm individuals or society (Ghandour et al., 2024). Therefore, ethics not only plays a complementary role in digital innovation, but also acts as a counterbalance between the drive for efficiency and the demands of social responsibility in the digital transformation process.

Although digital transformation has been a widely studied topic across various disciplines, most research still focuses on technology, digital strategy, and organizational performance (Reis & Melão, 2023). Studies that place corporate governance and ethics as key factors in facing the challenges of digital transformation are still relatively limited and are often discussed separately. In fact, governance and ethics play an important role in directing the use of technology, managing digital risks, and ensuring organizational accountability and compliance. Furthermore, there is still a lack of comprehensive research explaining how the integration of corporate governance and ethics can help organizations respond to the risks and uncertainties that arise in the digital transformation process. This

situation indicates a research gap that requires an integrated approach to understand the role of non-technology factors in the success of digital transformation.

Understanding the role of corporate governance and ethics in digital transformation is becoming increasingly important given the growing complexity of risks and accountability demands in the digital age. This research is urgent in order to broaden the perspective of digital transformation, which has tended to be technology-oriented, by emphasizing the importance of governance and ethical values in ensuring the sustainability of digital change. Theoretically, this research is expected to enrich the literature on corporate governance and business ethics in the context of digital transformation, particularly through an integrated approach that links oversight, compliance, and ethical responsibility. Practically, the results of this study are expected to provide implications for organizational leaders and policymakers in designing governance frameworks and ethical guidelines that can support safe, responsible, and sustainable digital transformation.

Based on this background, this study aims to analyze the role of corporate governance and ethics in facing the challenges of digital transformation in organizations. Specifically, this study seeks to examine how corporate governance mechanisms and the application of ethical principles contribute to managing digital risks, maintaining accountability and compliance, and ensuring that the digital transformation process is in line with the organization's strategic objectives and responsibilities. Thus, this study is expected to provide a more comprehensive understanding of the importance of non-technological approaches in supporting the success and sustainability of digital transformation.

2. Method

This study uses a qualitative approach with a case study design to gain an in-depth understanding of the role of corporate governance and ethics in addressing the challenges of digital transformation in organizations. A qualitative approach was chosen because this study focuses on processes, meanings, and the dynamics of decision-making, governance, and ethical considerations that cannot be measured quantitatively. The case study design allows researchers to explore the phenomenon of digital transformation contextually and holistically within a specific organizational environment, thereby providing a comprehensive picture of the governance and ethical practices that are applied.

Informants were selected purposively, based on criteria such as individuals who were directly involved in policy formulation, oversight, and implementation of digital transformation, such as board members, top management, information technology managers, and those responsible for risk, compliance, and ethics functions. Data collection techniques included in-depth interviews to explore informants' views, experiences, and considerations regarding digital governance and ethics; analysis of organizational documents such as corporate governance policies, codes of conduct, information technology guidelines, and annual reports; and limited observation to understand the context and practices of organizations in the digital transformation process.

Data analysis was conducted thematically by following the stages of data reduction, data presentation, and conclusion drawing. The data obtained was coded and grouped into main themes related to the role of corporate governance, the application of ethics, digital risk management, and the challenges of digital transformation faced by organizations. To maintain data validity, this study applied source and method triangulation techniques and rechecked the interpretation results with informants (member check). Thus, this case study-based qualitative approach is expected to produce in-depth, valid, and relevant findings in explaining how corporate governance and ethics play a role in supporting responsible and sustainable digital transformation.

3. Results and Discussion

3.1 Challenges of Digital Transformation from a Governance Perspective

Based on the results of the study, organizations face various significant challenges in the digital transformation process that are closely related to governance aspects. Field findings show that data security and privacy protection risks are major issues as the use of digital systems and large-scale data management increases (Rafiq et al., 2022). Informants expressed concerns about the potential for cyber attacks, data leaks, and the organization's limited capacity to comprehensively control cyber risk. In addition, digital transformation also increases organizations' dependence on digital systems and third parties, such as technology service providers and digital platforms, which ultimately expands risk exposure and poses new challenges in oversight and accountability (Alonge et al., 2024). Other findings indicate a lack of clarity in the division of responsibilities and digital oversight mechanisms, particularly in technology-based decision-making and the use of data across work units. This situation is exacerbated by the pressure to comply with dynamic and constantly evolving digital regulations, requiring organizations to adaptively adjust their governance policies and practices. An analysis of digital risk management and compliance policy documents shows that although organizations have formal control frameworks in place, their implementation still faces limitations in anticipating the complexity of digital risks. These findings confirm that the challenges of digital transformation are not only technical in nature, but also relate to the effectiveness of corporate governance in managing risk, maintaining accountability, and ensuring compliance in the digital age.

3.2 The Role of Corporate Governance in Facing Digital Challenges

The results of the study indicate that corporate governance plays a central role in helping organizations face various challenges that arise during the digital transformation process. Field findings indicate that the involvement of the board of directors and top management is a key factor in directing digital strategy and ensuring that transformation initiatives are aligned with organizational goals (Guerrero-Avenidaño et al., 2023). The informant emphasized that strategic decisions related to technology investment, data management, and cooperation with third parties are under the supervision of the governance structure, enabling the organization to control digital risks in a more measurable manner. In addition, corporate governance mechanisms serve as a means of supervision and control through the implementation of policies, procedures, and reporting systems that support transparency and accountability in the use of digital technology (Efunniyi et al., 2024). The findings also show that the existence of integrated risk management and compliance functions within the governance structure strengthens the organization's ability to respond to regulatory pressures and manage cyber risks. This analysis is in line with the corporate governance perspective that places corporate governance as a strategic control mechanism, not merely a formal structure, in ensuring that digital transformation is carried out responsibly and sustainably. Thus, the role of corporate governance is proven to be important not only in overseeing the use of technology, but also in creating an accountable and long-term oriented digital decision-making framework.

3.3 The Role of Ethics in Digital Transformation

The results of the study indicate that ethics plays an important role as a normative foundation in the use of digital technology within organizations (Verma & Garg, 2024). Field findings reveal that ethical principles are used as guidelines in data usage, digital system development, and technology-based decision making. The informant emphasized that awareness of privacy issues, information security, and digital justice are key concerns

in the digital transformation process, especially when organizations manage large amounts of data and use automation systems. Efforts to maintain privacy and digital justice are realized through the formulation of internal policies, the dissemination of ethical values, and the strengthening of the role of the organization's code of ethics as a reference for behavior in the digital environment. Analysis of the code of ethics and data management policy documents shows that the organization strives to integrate the principles of responsibility, transparency, and stakeholder protection into its digital practices. However, this study also found challenges in the form of ethical dilemmas in the application of automation and technology-based decision making, particularly regarding the limits of human responsibility and the potential for bias in digital systems. These findings confirm that ethics not only function as formal rules, but also as internal mechanisms that guide organizations in balancing technological innovation with moral and social responsibility during the digital transformation process.

3.4 The Interaction Between Corporate Governance and Ethics

The results of the study show a close relationship between corporate governance and ethics in supporting the success of organizational digital transformation. Field findings indicate that strong corporate governance plays a role in strengthening the implementation of digital ethics through policy formulation, oversight mechanisms, and the affirmation of responsibility in the use of technology. In this context, ethics is not only positioned as a normative value, but also becomes the basis for the legitimacy of digital policies and decisions made by management. Informants emphasized that when ethical principles are consistently integrated into the governance structure, organizations are better able to build stakeholder trust and minimize the risk of technology misuse. Conversely, this study found that a lack of synergy between corporate governance and ethics, such as weak oversight of ethical compliance or inconsistency in the application of organizational values, has the potential to cause operational and reputational risks and digital transformation failure. These findings underscore the importance of an integrated approach that combines governance and ethics as a single entity in managing digital transformation, so that technological change is not only innovative, but also responsible and sustainable.

3.5 Indicators of Digital Transformation Success

The results of the study show that the success of digital transformation in organizations is not solely measured by the level of technology adoption, but rather by the changes that occur in business processes, work methods, and overall organizational management systems. Field findings indicate improvements in workflows and decision-making, which have become more integrated and data-driven, thereby increasing transparency and operational efficiency. Informants also highlighted that strengthening governance mechanisms and applying ethical principles contribute to more effective digital risk management, particularly in terms of data security, compliance, and cyber risk control. Furthermore, the success of digital transformation is reflected in the maintenance of stakeholder trust, both internal and external, as indicated by increased security, clarity of responsibilities, and the legitimacy of the organization's digital policies. These findings confirm that successful digital transformation is a multidimensional process that integrates technology, governance, and ethics, thereby enabling sustainable and value-added organizational change.

3.6 Discussion

The findings of this study confirm that corporate governance serves as the primary control mechanism in addressing digital risks that arise during the digital transformation

process. Corporate governance provides a strategic oversight framework that enables organizations to identify, evaluate, and control digital risks, including data security risks, technology dependence, and regulatory compliance. This role is in line with corporate governance theory, which views governance as a control system to ensure that managerial decisions are aligned with the interests of the organization and its stakeholders. In addition, the research findings are also consistent with the risk management perspective, which emphasizes the importance of integrating risk management into strategic decision-making. Oversight by the board and top management has been shown to contribute to the sustainability of digital transformation, as it allows organizations to focus not only on achieving short-term efficiency, but also on managing long-term risks and value. Thus, corporate governance serves as a control foundation that ensures that digital transformation is targeted, responsible, and sustainable.

Although corporate governance plays an important role as a structural control mechanism in digital transformation, the effectiveness of such governance depends heavily on the underlying values. In this context, ethics serves as a normative framework that complements and strengthens corporate governance practices in facing the challenges of digital transformation. Research findings show that the application of ethical principles provides moral direction in the use of digital technology, particularly in relation to data usage, privacy protection, and fairness in technology-based decision-making. Ethics help organizations interpret boundaries that cannot always be regulated in detail through formal policies, thereby enabling more responsible digital decision-making. In line with business ethics and digital ethics theory, this study confirms that sustainable digital transformation requires not only oversight and control, but also a commitment to values that promote responsibility, transparency, and stakeholder trust. Thus, ethics serves as an internal foundation that ensures that the control of digital transformation through corporate governance is not only structurally effective, but also legitimate and socially acceptable.

The integration of corporate governance and ethics is a key element in ensuring the success of sustainable digital transformation. Research findings show a reciprocal relationship between governance and ethics, whereby corporate governance provides a structural framework and control mechanisms, while ethics acts as a compass of values that guides the implementation of digital policies and decisions. Strong governance without an ethical foundation has the potential to result in rigid, compliance-oriented digital practices, while ethics without adequate governance support tends to be difficult to implement consistently within an organization. Therefore, synergy between the two is an important prerequisite for managing the complexity of risks and opportunities in digital transformation.

Furthermore, these findings contribute to strengthening the integrated perspective approach in digital transformation studies, which emphasizes that the success of digitization cannot be understood partially through technology, governance, or ethics aspects separately. This study shows that the integration of corporate governance and ethics enables organizations to manage digital risks comprehensively, maintain regulatory compliance, and build social legitimacy and stakeholder trust. This is in line with contemporary views that place digital transformation as a multidimensional organizational process laden with normative implications. A further implication of these findings is the need to develop a conceptual model of digital transformation that accommodates behavioral, value, and structural dimensions simultaneously. This model not only positions corporate governance as a strategic oversight mechanism, but also integrates ethics as the foundation for digital decision-making. Thus, digital transformation is understood as a process that not only aims

to improve organizational efficiency and performance, but also ensures the sustainability, accountability, and social responsibility of organizations in the digital age.

4. Conclusions

This study concludes that the success of digital transformation is not only determined by technology adoption, but also heavily depends on the strength of corporate governance and the accompanying ethical foundation. The findings show that corporate governance acts as a strategic control mechanism in dealing with digital risks through structured supervision, accountability for decision-making, and alignment of digital transformation with the organization's long-term goals. On the other hand, ethics serve as a normative foundation that ensures digital transformation is carried out responsibly, transparently, and in a manner that maintains stakeholder trust. The integration of corporate governance and ethics forms an integrated approach that not only improves the efficiency and transparency of business processes but also strengthens the sustainability and legitimacy of digital transformation. Conceptually, this research emphasizes the importance of an integrated perspective in developing a digital transformation model, where technological innovation, governance, and ethical values complement each other to create adaptive, sustainable, and value-oriented transformation.

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