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A Study on the Impact of Digital Transformation on Corporate Performance

Huiyuan Hong, Na Liu

School of Business, Shanghai Dianji University, Shanghai, 200000, China

ABSTRACT

In today's era of rapid digital advancement, digital transformation has become an indispensable component of sustained corporate growth. This paper delves into the origins and profound implications of digital transformation, conducting a detailed analysis of its theoretical value and practical impact. It first elucidates the background and significance of digital transformation, reviews existing research literature on the relationship between digital transformation and corporate performance, and provides a comprehensive overview of these studies. Second, it examines relevant influence pathways and corporate heterogeneity. Through this analysis, the paper aims to provide additional reference points for future research and applications concerning corporate digital transformation and business performance.

KEYWORDS

Digital Transformation; Corporate Performance; Impact Pathways

1. INTRODUCTION

Breakthrough developments and widespread penetration of digital technologies are reshaping the global economic landscape, with the digital economy emerging as the core engine driving economic growth. Results from the Fifth National Economic Census released by the National Bureau of Statistics in 2025 reveal that in 2023, China's large-scale enterprises achieved significant progress in digital transformation. Investments in information technology continued to rise, technological applications deepened, and digital transformation has become a key driver propelling enterprises toward high-quality development. Against this backdrop, traditional enterprise development models reliant on manual operations and experience-based decision-making are increasingly revealing their limitations. They struggle to adapt to rapidly changing market environments and intensifying competitive pressures, making digital transformation an inevitable choice for corporate survival and growth.

Globally, the continuous evolution of digital technologies such as big data, artificial intelligence, and blockchain is propelling industries into a period of profound transformation. Manufacturing is optimizing production processes through smart manufacturing technologies, retail is building integrated online-offline sales systems with digital tools, and services are enhancing efficiency and quality via digital platforms. Digital transformation is no longer an “option” for enterprises but a “mandatory requirement” determining their market standing. Particularly under the dual imperatives of achieving carbon peaking and carbon neutrality while pursuing high-quality development, enterprises must not only enhance operational efficiency through digital transformation but also leverage digital technologies to foster green and innovative development, thereby building sustainable competitive advantages. As a core metric for evaluating business outcomes and growth potential, corporate performance directly impacts market competitiveness, profitability, and

sustainable development capabilities. Amid the digital wave, the factors influencing corporate performance have grown increasingly complex, making the intrinsic relationship between digital transformation and corporate performance a focal point for both academia and practitioners. Some enterprises have achieved significant performance improvements through successful digital transformation. Examples include optimizing resource allocation via data analytics, reducing operational costs through automation, and expanding market share using digital platforms. However, others face challenges such as misguided technology selection, organizational cultural barriers, and talent shortages during transformation, leading to suboptimal outcomes or even short-term negative impacts on performance. Therefore, this research holds significant theoretical and practical value. Theoretically, an in-depth analysis of the relationship between digital transformation and corporate performance can refine the theoretical framework in this field, offering new perspectives and approaches for related research. Practically, the findings can provide scientific guidance for enterprises in formulating digital transformation strategies, helping them mitigate risks, optimize transformation pathways, and tangibly enhance performance levels through digital transformation. Additionally, the research findings can serve as a reference for governments to formulate industrial policies supporting corporate digital transformation and improve the relevant institutional environment. This will promote the deep integration of the digital economy with the real economy and contribute to high-quality economic development.

2. ANALYSIS OF EXISTING RELEVANT RESEARCH

2.1. Research Related to Digital Transformation

Research on digital transformation primarily focuses on two aspects: influencing factors and economic consequences. Regarding influencing factors, Hu Dongmei et al. indicate that executives with overseas experience can accelerate corporate digital transformation, thereby promoting faster business growth [1]. Feng Xia et al. found that both government subsidies and market competition levels can drive corporate digital transformation [2]. Chen Fang et al. identified alleviating financing constraints and promoting corporate R&D innovation as key channels through which ESG performance facilitates digital transformation, with executive green cognition and government subsidies playing positive moderating roles. Regarding economic outcomes, digital technologies transform value creation methods, enhance efficiency, and elevate corporate value to some extent, thereby advancing high-quality development [3]. Qiu Tian contends that digital transformation directly boosts corporate value through optimized resource allocation and improved operational efficiency, while also strengthening value via enhanced internal controls [4]. Wu Zhengxiang et al. indicate that digital transformation benefits the advancement of green logistics development [5]. Peng Danyu et al. found that as corporate digitalization levels increase, the scale of labor employment grows significantly [6]. Furthermore, digital transformation facilitates the maintenance and expansion of corporate foreign direct investment markets and drives green technological innovation [7, 8].

2.2. Research on Corporate Performance

Currently, research on corporate performance primarily focuses on influencing factors. Sun Yuting et al. argue that corporate innovation enhances business performance [9]. Ou Zhelin et al. found that improving new-quality productive forces boosts corporate performance, with innovation efficiency playing a mediating role [10]. Wang Xiaoxin et al. found that ESG performance positively impacts corporate performance, with intellectual capital partially mediating this relationship [11]. Wang Chunlei et al. argue that executive stock options enhance company performance by significantly reducing agency costs [12].

2.3. Relevant Research on the Impact of Digital Transformation on Corporate Performance

In the era of rapid information technology advancement, digital transformation has become a critical strategic choice for enterprises to enhance competitiveness and adapt to market changes. Numerous scholars have conducted in-depth research on the impact of digital transformation on corporate performance, aiming to clarify their relationship and provide theoretical support for business practices [13]. Gu Ping argues that with the application of information technologies such as big data, artificial intelligence, and blockchain, corporate financial management is undergoing profound transformations across multiple levels—from data processing and analytical forecasting to decision support—thereby influencing corporate performance [14]. Chen Xu et al. contend that digital transformation reshapes corporate value creation models, enhancing performance through two mechanisms: optimizing costs and boosting operational efficiency [15]. Yu Sang et al. found that corporate digital transformation enhances risk-bearing capacity, thereby improving corporate performance [16]. Li Yong et al. suggest that late-mover enterprises can cultivate more mature transformation capabilities by observing and learning from early-mover behaviors, thereby advancing digital transformation in an orderly manner to positively impact corporate performance [17].

Researching the pathways through which digital transformation enhances corporate performance holds significant implications for enterprises. Existing studies still offer room for expansion, as some fail to sufficiently analyze the underlying mechanisms by which digital transformation impacts performance and lack systematic examination of influencing pathways. Based on this, this paper will systematically review the theoretical foundations, pathway selection, and effects of digital transformation in manufacturing to provide theoretical guidance and decision-making references for corporate digital transformation practices.

3. PATHWAY ANALYSIS OF IMPACT

Digital transformation does not enhance corporate performance through a single-dimensional, direct effect. Instead, it achieves systemic improvement by reconstructing value creation processes, optimizing resource allocation efficiency, and strengthening core competitive capabilities. Integrating existing research findings with corporate practice characteristics, this paper systematically analyzes the underlying logic of how digital transformation influences corporate performance through four core pathways: cost optimization, innovation-driven growth, market expansion, and governance enhancement. This provides theoretical support for subsequent empirical research and practical guidance.

3.1. Cost Optimization: Digital Technologies Empower Cost Reduction and Efficiency Enhancement

Digital transformation empowers enterprises to reconstruct production and operational processes through technology, achieving systematic cost reduction across three dimensions—labor costs, operational expenses, and decision-making expenditures—thereby laying the foundation for enhanced business performance. In production, big data and IoT technologies enable precise matching of production factors. Intelligent manufacturing systems capture real-time production data and dynamically adjust process parameters, minimizing raw material waste and equipment downtime. For instance, manufacturing enterprises simulate entire production processes using digital twin technology, enabling predictive fault detection and optimized production scheduling—significantly lowering unit production costs and cycle times. In operational management, widespread automation and digital tools replace repetitive manual tasks, optimizing human resource allocation. Tools like digital office systems and intelligent approval platforms streamline internal processes, reducing time and coordination costs associated with cross-departmental communication. Financial digitization

enhances processing efficiency through intelligent accounting and automated reconciliation, minimizing correction costs from human errors. In decision-making, data-driven models replace traditional experience-based approaches, reducing the risk of misjudgments and trial-and-error costs. By integrating internal and external data and leveraging AI algorithms for market trend forecasting, inventory demand analysis, and investment project evaluation, enterprises make decisions with greater scientific rigor and foresight. This data-driven approach effectively avoids issues like blind expansion and resource misallocation, reduces unnecessary expenditures, and indirectly boosts corporate profitability.

3.2. Innovation-Driven: Digital Transformation Activates Innovation Vitality

Digital transformation builds sustainable innovation capabilities for enterprises by expanding innovation boundaries, optimizing innovation processes, and lowering innovation barriers, thereby driving performance improvement. Digital technologies provide enterprises with new innovation tools and directions. Big data analytics can rapidly identify market pain points and technological trends, offering precise guidance for R&D innovation. Artificial intelligence and simulation technologies help shorten new product development cycles while reducing experimental costs and failure risks during R&D. Research by Yang Yongjie et al. indicates that digital transformation significantly promotes green technological innovation within enterprises [8]. Such innovations not only yield policy dividends but also enhance product value-added and market competitiveness. Digital transformation breaks traditional industry boundaries, giving rise to new business models such as platform-based and ecosystem-driven approaches. Examples include the online-offline integration model in retail and the service-oriented transformation in manufacturing—both exemplifying digitally driven business model innovation. Chen Xu et al. contend that digital transformation reshapes value creation models, enabling enterprises to evolve from single-product suppliers into comprehensive solution providers [15]. This shift not only diversifies revenue streams but also enhances customer loyalty and brand premium potential. Additionally, digital transformation drives organizational structures toward flatter, more flexible hierarchies, dismantling traditional hierarchical constraints on information flow. Cross-departmental data-sharing platforms accelerate the dissemination of knowledge and ideas, while internal innovation incubation platforms provide employees channels to showcase creativity, thereby energizing organizational innovation. Simultaneously, digital transformation accelerates collaborative innovation between enterprises and external partners. Through industry-academia-research digital platforms, companies can rapidly integrate external technological and talent resources, forming synergistic innovation capabilities and enhancing the efficiency of translating innovation outcomes into practical applications.

3.3. Market Expansion: Digital Tools Enhance Market Competitiveness

Digital transformation helps businesses expand market share and sustain performance growth by precisely aligning with market demands, broadening marketing channels, and elevating customer value. On one hand, digital technologies enable deep exploration and precise profiling of customer needs. By analyzing user behavior data, consumption preferences, and other insights, companies can accurately identify target customer segments and launch customized products and services tailored to different groups, thereby increasing product penetration and customer satisfaction. For instance, internet companies leverage user profiling for precision marketing, significantly boosting ad conversion rates and user retention. Digital platforms overcome spatial and temporal constraints, expanding market reach. Businesses access broader consumer audiences through diverse digital channels like e-commerce platforms, social media, and livestream shopping. Small and medium-sized enterprises (SMEs), in particular, can use digital marketing tools to enter markets traditionally hard to reach at lower costs, narrowing the competitive gap with larger corporations. Research by Su Li et al. reveals that digital transformation aids enterprises in maintaining and expanding foreign direct investment markets, further validating digitalization's crucial role in market expansion [7].

Concurrently, digital tools enhance customer service quality and efficiency. Customer Relationship Management (CRM) systems integrate data across the entire customer lifecycle, enabling personalized services and targeted care to boost customer loyalty and repeat purchase rates. Enhanced customer satisfaction and loyalty directly drive corporate sales revenue growth. Simultaneously, word-of-mouth marketing expands brand influence, injecting sustained momentum into corporate performance growth.

3.4. Governance Enhancement: Digital Transformation Refines Corporate Governance

Digital transformation boosts corporate governance efficiency by optimizing governance structures, reducing agency costs, and strengthening risk management, thereby providing institutional safeguards for performance improvement. The transparency of digital platforms mitigates information asymmetry, enabling shareholders and boards to gain a more comprehensive understanding of business operations. Digital oversight systems monitor executive performance and operational data in real time, effectively constraining opportunistic behavior among management and enhancing governance effectiveness. Qiu Tian research indicates that digital transformation enhances corporate value by improving internal controls, with such enhancements serving as a key indicator of elevated corporate governance standards [4]. Regarding reduced agency costs, digital transformation enables real-time monitoring and traceability across the entire operational lifecycle, mitigating conflicts of interest between management and shareholders. Through digital tools, shareholders can more conveniently participate in corporate decision-making and oversight, while management's decisions and operational outcomes become easier to evaluate and assess. This partially curbs management's tendency toward slackness and on-the-job consumption, thereby lowering agency costs. Wang Chunlei et al. argue that executive equity incentives improve corporate performance by reducing agency costs, and digital transformation's optimization of governance mechanisms further amplifies this effect [12]. Regarding risk management, digital technologies enhance enterprises' capabilities to identify, anticipate, and respond to various risks. By establishing digital risk management platforms, companies can integrate multidimensional data from finance, marketing, operations, and other domains. Leveraging algorithmic models, they can monitor potential risks such as credit risk, market risk, and operational risk in real time and develop contingency plans proactively. Yu Sang et al. found that corporate digital transformation elevates risk-taking capacity. This risk-taking constitutes rational decision-making grounded in precise risk management, enabling enterprises to seize high-return opportunities and thereby enhance overall performance [16].

4. ANALYSIS OF HETEROGENEITY IN EXISTING RESEARCH

4.1. Nature of Enterprises

Existing research indicates that the impact of digital transformation on corporate performance varies between non-state-owned enterprises and state-owned enterprises. For both SOEs and non-state-owned enterprises, digital transformation exerts a significant positive impact on corporate performance, though this effect is more pronounced in SOEs. This may stem from SOEs' dual operational objectives—maximizing economic returns while fulfilling social responsibilities—which distinguishes them from non-state-owned counterparts. This unique nature drives greater initiative in SOEs when responding to national digital economy development strategies. Furthermore, digital transformation demands substantial resource investment. State-owned enterprises possess unique advantages in government relations and policy support. For instance, they have easier access to government special funds, more abundant talent reserves, larger production scales, and superior innovation resources (Liu Siyan, 2025) [18]. These favorable conditions lay a solid foundation for advancing digital transformation within state-owned enterprises, making their transformation

outcomes more pronounced and their contribution to enhancing corporate performance more significant.

4.2. Enterprise Scale

Performance varies significantly across enterprises of different scales. Compared to small and medium-sized enterprises, large enterprises experience a more pronounced impact of digital transformation on their performance. This may stem from large enterprises typically possessing more abundant resources, stronger technological capabilities, and more mature management expertise. These advantages position them to advance digital transformation more effectively—enabling efficient implementation of transformation initiatives while leveraging economies of scale to further optimize efficiency and reduce costs, ultimately achieving a marked improvement in corporate performance. Small and medium-sized enterprises, however, face practical constraints such as insufficient capital reserves, weak technological support, and human resource shortages. These limitations make it difficult for them to undertake large-scale digital transformation investments, resulting in relatively limited tangible benefits from such initiatives.

4.3. Industry Sector

Different types of enterprises have varying needs for digital transformation, and the extent to which it enhances corporate value also differs. Compared to non-high-tech industries, high-tech sectors exhibit a higher degree of digital transformation. Given their inherent reliance on technology and innovation, digital transformation specifically enhances the efficiency of their products and services, boosts their innovative vitality, and strengthens their market competitiveness, thereby significantly driving positive corporate performance. While non-high-tech enterprises can also benefit from digital transformation, the outcomes are relatively less pronounced. The core reason for this disparity lies in the more traditional business models of non-high-tech industries, which exhibit lower technological dependency and more moderate innovation demands. Consequently, the potential returns from digital transformation are somewhat constrained.

4.4. Regional Differences

When grouped by region into eastern and central/western enterprises, digital transformation impacts corporate performance differently across regions. Digital transformation significantly enhances corporate performance in eastern regions but not in central and western regions. This may stem from the following factors: First, eastern regions boast higher economic development, superior talent pools, advanced technological support, and robust information infrastructure, providing a favorable environment for digital transformation. Second, eastern enterprises often exhibit stronger strategic foresight, higher digital maturity, and pronounced industrial clustering effects, which facilitate efficient information resource exchange among businesses. Within this developmental ecosystem, the open-sharing philosophy championed by digital transformation proves easier to implement, thereby maximizing its positive impact on corporate performance. In contrast, central and western regions face constraints due to economic conditions, technological foundations, and prevailing mindsets, resulting in insufficient capital. These practical challenges not only slow the pace of digital transformation among local enterprises but also limit the full realization of its benefits.

5. STRATEGIES AND RECOMMENDATIONS FOR ENHANCING CORPORATE PERFORMANCE THROUGH DIGITAL TRANSFORMATION

Analysis of existing research findings reveals that under normal market conditions, digital transformation can improve corporate performance through four core pathways: cost optimization,

innovation-driven growth, market expansion, and governance enhancement. Based on this, the study proposes the following recommendations:

Firstly, at the corporate level, Non-state-owned enterprises should strengthen strategic planning, proactively align with digital economy policies, and address talent and technology gaps through university-industry collaborations. Small and medium-sized enterprises should avoid large-scale investment traps, prioritize addressing core business pain points, and select lightweight, low-cost digital solutions. Non-high-tech industries should focus on operational challenges, prioritize digitizing critical production and operational processes, and gradually explore business model innovation. Enterprises in central and western regions can collaborate with local governments to establish regional digital collaboration platforms, sharing technology and data resources to reduce transformation costs. Simultaneously, all enterprises must prioritize digital talent development, establish flat organizational structures aligned with transformation needs, and balance short-term transition investments with long-term performance growth.

Secondly, at the governmental level, for central and western regions, increase investment in information infrastructure and establish dedicated subsidies to support enterprise digital upgrades, facilitating the transfer of eastern digital technologies and talent to central and western areas;

Introduce differentiated support policies for SMEs, including low-interest loans and subsidy funds specifically for digital transformation to alleviate financial pressures; For non-state-owned enterprises and non-high-tech industries, implement differentiated support policies such as low-interest loans and tax incentives to lower transformation barriers. Strengthen digital technology dissemination and training, build industry-academia-research collaborative innovation platforms to help enterprises overcome technical bottlenecks, and drive deep integration between digital transformation and corporate performance.

6. CONCLUTION

Based on the era background of the vigorous development of the digital economy, this study systematically explores the impact mechanism and heterogeneous characteristics of digital transformation on corporate performance, providing a multi-dimensional perspective for understanding the relationship between them. By sorting out existing literature, the research clarifies that digital transformation has evolved from an "optional choice" to a "mandatory requirement" for enterprise development, and reveals that it reconstructs the corporate value creation process through four core pathways—cost optimization, innovation-driven growth, market expansion, and governance enhancement—injecting systematic momentum into performance improvement. Meanwhile, the study also finds that this impact is significantly constrained by factors such as enterprise nature, scale, industry attribute, and regional differences. State-owned enterprises, large-scale enterprises, high-tech industries, and enterprises in eastern regions are more likely to release the performance dividends of digital transformation due to advantages in resource reserves, technological foundation, or institutional environment. In contrast, small and medium-sized enterprises, non-high-tech industries, and enterprises in central and western regions face more constraints in transformation.

In the future, enterprises need to formulate differentiated transformation strategies based on their own attributes, and the government should also address transformation bottlenecks through policy guidance and resource inclination. Although this study provides theoretical references for digital transformation practices, there is still room for expansion in aspects such as long-term dynamic tracking of transformation effects. Subsequent research can be further deepened to promote the in-depth integration of the digital economy and the real economy, and drive enterprises to achieve high-quality development.

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