

Study on the Impact of Digital Transformation on Corporate Social Responsibility

Tianqi Sheng

Sany Heavy Industry Co., Ltd, China

Abstract. In recent years, the rapid development of new-generation information technologies such as 5G, artificial intelligence, and blockchain has propelled the digital economy to grow vigorously. For enterprises to achieve high-quality development under such circumstances, digital transformation has become an essential path. Corporate Social Responsibility (CSR) is an evolving concept, transitioning from the initial stance of "corporations should be responsible" to the current perspective that "corporations need to proactively undertake social responsibilities." This shift reflects society's expectations of corporate roles and introduces new demands. In the strategies for sustainable corporate development, digital transformation and the fulfillment of social responsibilities are closely linked and mutually reinforcing. This connection can effectively enhance operational efficiency and market competitiveness, strengthen corporate social responsibility, and thereby realize high-quality development.

Keywords: Digital Transformation; Corporate Social Responsibility; Sustainable Development.

1. The Necessity of Digital Transformation for Enterprises

1.1. Meeting the Demands of the Era

Currently, the digital economy is flourishing at an unprecedented pace. The digital age has arrived, and digital transformation has become a crucial engine for social progress. Enterprises, within this context, cannot afford to ignore the development of the digital economy. Failing to adapt means risking elimination. Hence, undergoing digital transformation is an inevitable trend and a necessary choice to stay abreast of the times. Digital transformation not only makes the production and sales methods of enterprises more scientific but also significantly enhances management efficiency and optimizes output and benefits[1-4]. By adopting digital transformation, enterprises can more accurately gauge market demands, optimize production processes, reduce operating costs, and enhance the quality of products and services. These advantages help enterprises stand out in fierce market competition and secure their place[5-6].

1.2. Meeting Enterprise Development Needs

In the era of the digital economy, technological innovation and improvement are crucial for enhancing performance and expanding development pathways. However, while high-tech industries or large enterprises may have relatively advanced technological development, the technological progress of most small and medium-sized enterprises is comparatively weak. To maintain a competitive edge, it is essential for enterprises to clarify future strategies, seize opportunities offered by the digital economy, explore new growth paths, continually innovate core technologies, and avoid being eliminated by the tides of the times. With the rise of cutting-edge technologies like big data and cloud computing, enterprises are gradually shifting from traditional operational models to digitalized market information, achieving comprehensive digital transformation[7]. This shift optimizes management models and enables enterprises to more accurately grasp various development data, making corporate decisions more scientific and eliminating many drawbacks of traditional models. Thus, for enterprises to adapt to market changes, improve management and operational efficiency, and enhance core competitiveness for long-term development, digital transformation is essential.

2. The Impact of Digital Transformation on Corporate Social Responsibility

2.1. Enhancing Corporate Social Responsibility Levels

From an internal corporate perspective, digital transformation not only innovates business models but also brings profound changes to organizational structures and information disclosure, significantly elevating the level of corporate social responsibility. Firstly, it strengthens internal control mechanisms and reduces operational risks through data-driven decision-making. Secondly, it enhances the transparency and accuracy of information disclosure, thereby improving public image and credibility. Finally, by deeply integrating digital technology into corporate governance, it not only increases operational efficiency but also significantly boosts the willingness and capability of corporations to fulfill their social responsibilities. Through the openness and sharing of digital technology, digital transformation enables corporations and other economic entities to connect and communicate more comprehensively and swiftly. From a consumer perspective, digital transformation not only reduces the distance between corporations and consumers but also allows consumers to quickly grasp corporate dynamics and meet their needs. By utilizing digital technology, service processes can be optimized, transaction costs reduced, and transaction efficiency increased[8-9]. During service delivery, the application of digital technology also significantly improves consumer experiences, thereby enhancing their willingness to purchase related products from the corporation.

2.2. Impacting Stakeholders

Digital transformation has a profound and extensive impact on corporate stakeholders[10]. For managers, it greatly changes their decision-making methods and tools. With big data, managers can obtain more comprehensive and precise market information and business data, providing robust support for decision-making. This helps management formulate more reasonable and scientific plans and effectively prevents irrational behavior among managers, thus enhancing decision-making quality. Additionally, digital transformation increases the transparency of corporate information, making management more mindful of long-term corporate interests and social responsibilities during the decision-making process, thereby encouraging active CSR fulfillment. For employees, digital transformation also brings significant changes. The transparency of internal information allows employees to clearly understand their work performance and outcomes, feeling the fairness and justice of the enterprise. Optimization of the salary and reward system makes employees feel that their efforts are appropriately rewarded, thereby increasing their satisfaction and loyalty. An enterprise with high employee satisfaction tends to maintain good business performance, further enhancing its CSR performance level.

2.3. Innovating Business Models

In the process of digital transformation, traditional HR departments face many challenges while innovating business models. Digital transformation is not just a technological innovation but also a comprehensive reshaping of business operations. In this process, digital talent plays a crucial role. As professionals equipped with digital skills and thinking, digital talent is the cornerstone for the successful digital transformation of an enterprise. They help build and maintain advanced digital systems, provide valuable decision support through data analysis, and as digital transformation accelerates, the demand for digital talent within enterprises grows increasingly urgent. This change in demand poses new requirements for HR management[11-12]. To attract and retain high-quality digital talent, enterprises need to create a conducive work environment, offer competitive compensation and benefits, and provide opportunities for career development. This will motivate employees to actively participate in the enterprise's digital transformation. An enterprise with more high-quality digital talent is more likely to succeed in digital transformation and stand out in market competition.

3. Issues of Corporate Social Responsibility

3.1. Low Level of Information Disclosure

In recent years, the awareness of CSR among some Chinese enterprises has gradually increased, and the number of enterprises voluntarily disclosing information has also shown a growing trend. However, the external drivers for CSR disclosure among listed companies mainly stem from social movements by stakeholders and government regulation based on legitimacy. In the absence of mandatory disclosure requirements, the overall level of CSR information disclosure among Chinese enterprises remains relatively low, as shown in Figure 1. Currently, most enterprises tend to disclose their CSR performance in specific reports, such as CSR reports, annual reports, sustainability reports, environmental reports, or integrated content reports. These reports detail the efforts and achievements of enterprises in CSR, providing important reference information for stakeholders. However, due to the cut-off dates of financial reports, the CSR information disclosed in financial reports may be delayed, affecting the timeliness and accuracy of the information, potentially misleading investors.

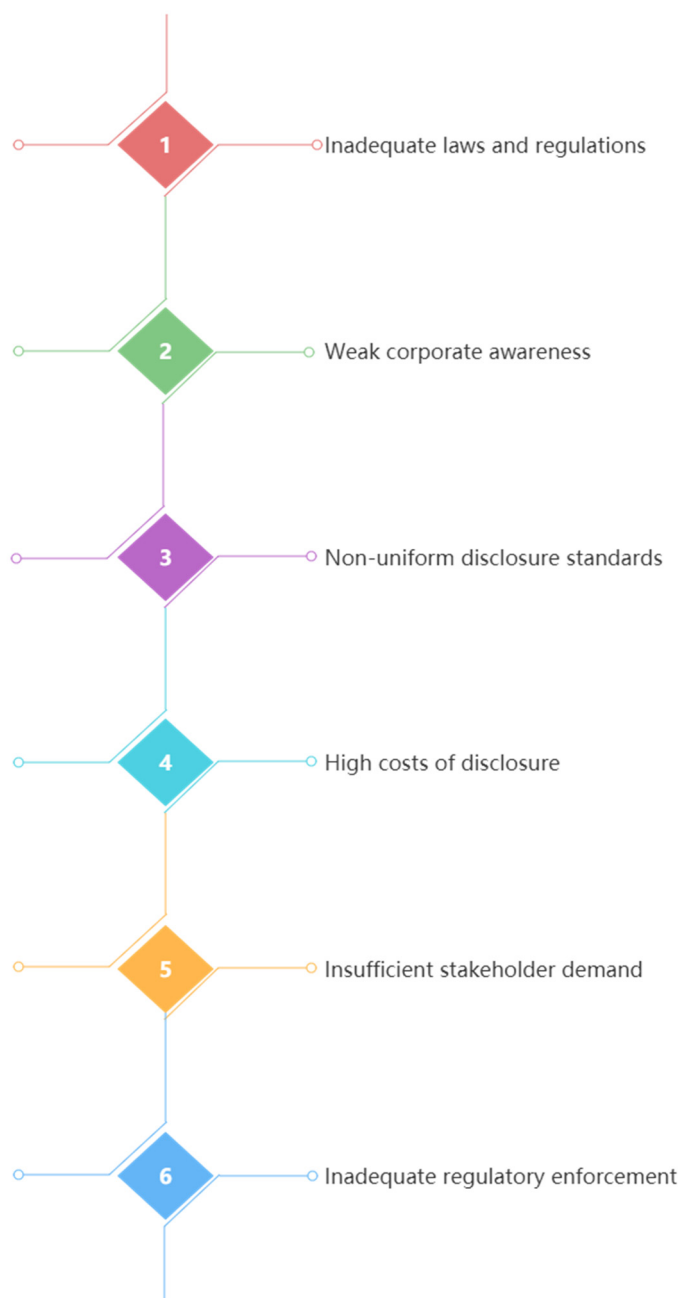


Figure 1. Reasons for the Low Level of Corporate Social Responsibility Information Disclosure

3.2. Poor Performance in Fulfilling Responsibilities

As China's economic development level continuously improves, people's knowledge and ideological levels are also gradually increasing, leading to rising expectations for corporate social responsibility (CSR). Nowadays, CSR is not just a legal obligation but also a crucial benchmark for shaping corporate brand identity. In the fierce market competition, a company's image and brand influence become key factors in attracting consumers. For instance, Galanz, a renowned Chinese home appliance manufacturer, has successfully integrated social responsibility into its business strategy[13-14]. By promoting new energy and distributed photovoltaic projects, Galanz has not only achieved its green upgrade but also set a model for sustainable development in manufacturing. This proactive stance on social responsibility has enabled Galanz to establish a positive corporate image in consumers' minds, enhancing brand reputation and loyalty. However, many small and medium-sized enterprises still have a superficial understanding of CSR and fail to recognize its significance for long-term development. They often pursue short-term profits, overlook considerations for the ecological environment and sustainable development, and even resort to inappropriate methods, leading to frequent occurrences of fraud. Such behavior damages the overall social interest and harms the corporate image and reputation, hindering long-term stable development.

4. Recommendations for Improving Corporate Social Responsibility in the Context of Digital Transformation

4.1. Enhancing the Level of Social Responsibility Disclosure

In today's society, where corporations play a significant role in economic activities, the fulfillment of their social responsibilities attracts widespread public attention. Therefore, a series of practical measures have been devised to encourage corporations to undertake social responsibilities. On one hand, legislation should clearly define corporate social responsibilities and mandate the disclosure of relevant information, ensuring that corporations do not overlook their contributions to society while pursuing economic benefits. On the other hand, the government should actively supervise and guide corporations to voluntarily and proactively fulfill their social responsibilities, turning it into an intrinsic motivation. In terms of information disclosure specifics, the government should consider the characteristics of different enterprises and industries to formulate differentiated disclosure requirements, ensuring that social responsibility information disclosure policies are precisely and effectively implemented across all sectors. Combining mandatory and voluntary disclosure, the government incentivizes corporations to actively and high-quality fulfill their social responsibilities. Simultaneously, by providing external stakeholders with critical information for decision-making, it maximizes their decision-making needs regarding CSR information, enhancing communication and information exchange with stakeholders[15]. This not only allows corporations to diversify the publication of socially responsible information but also expands the channels through which companies disseminate information, providing technical support for diversified publishing methods, and to some extent encouraging and supervising corporations to fulfill their social responsibilities with high quality.

4.2. Utilizing Big Data to Promote Social Responsibility Fulfillment

At the micro-level, corporations should establish data management awareness, implement comprehensive data security management laws and regulations to ensure data security, and optimize data mining processes to enhance data utilization efficiency. To better fulfill social responsibilities, corporations should build strong data integration capabilities, consolidating various CSR-related data into a comprehensive information repository to support decision-making. At the macro level, the data governance system should be improved rapidly, in line with the national big data strategy, and relevant policies should be introduced to guide corporate data management. Strengthening data regulatory functions ensures the orderly flow and reasonable use of data, while encouraging corporations to enhance data management levels and promote the optimal allocation of data resources.

Additionally, the big data response system needs further improvement to make public resources more accessible and transparent, thus improving the CSR disclosure environment. Through the big data response system, companies are compelled to disclose truthful information, ensuring that the information they provide is reliable and effectively fulfilling their social responsibilities (Figure 2).



Figure 2. How to Use Big Data to Promote Social Responsibility Fulfillment

4.3. Encouraging Corporate Digital Transformation

As the internet and digital technologies rapidly advance, corporate digital transformation has become a core driver for high-quality development. Corporations should recognize that digital transformation is not only a technological innovation but also an important means of fulfilling social responsibilities[16]. This transformation is reflected not only in the digitization of production and business activities but also throughout corporate management, decision-making, and daily operations. Additionally, the government should create a favorable external environment for the digital transformation of private and small and medium-sized enterprises, encouraging them to better fulfill their CSR. Specifically, the government can guide these enterprises through policies, encouraging them to fully leverage digital technology to maximize social value, help them explore new paths to sustainable development, and enhance their consciousness and ability to fulfill social responsibilities. This includes cultivating a corporate culture aligned with sustainable development principles, establishing a sound CSR system, thereby comprehensively enhancing the level of CSR fulfillment among Chinese enterprises[17].

5. Conclusion

In the context of the rapidly developing digital economy, modern enterprises must rely on digital transformation to enhance their core market competitiveness and achieve sustainable development. However, the path to digital transformation for Chinese enterprises is still in an exploratory stage, facing challenges in technology, talent, management, and other areas. In this new context, stakeholders should actively participate as they are co-creators of corporate value, and their level of involvement directly impacts the overall performance of the enterprise. If enterprises can actively respond to the interests and needs of stakeholders in the process of fulfilling social responsibilities, it will ignite more enthusiasm for participation, creating a synergistic effect that generates value. Therefore, to ensure the smooth progress of digital transformation, enterprises should strengthen their comprehensive construction, focusing on technological upgrades and talent development, establishing a high sense of social responsibility, actively fulfilling social responsibilities, and winning the trust and support of stakeholders to jointly promote sustainable corporate development.

References

- [1] Gillan, S.L.; Koch, A.; Starks, L.T. Firms and social responsibility: A review of ESG and CSR research in corporate finance. *J. Corp. Financ.* 2021, 66, 101889.

- [2] Atan, R.; Alam, M.M.; Said, J.; Zamri, M. The impacts of environmental, social, and governance factors on firm performance: Panel study of Malaysian companies. *Manag. Environ. Qual.* 2018, 29, 182–194.
- [3] Duque-Grisales, E.; Aguilera-Caracuel, J. Environmental, social and governance (ESG) scores and financial performance of multilatinas: Moderating effects of geographic international diversification and financial slack. *J. Bus. Ethics* 2021, 168, 315–334.
- [4] Cho, Y. ESG and firm performance: Focusing on the environmental strategy. *Sustainability* 2022, 14, 7857.
- [5] Grimaldi, F.; Caragnano, A.; Zito, M.; Mariani, M. Sustainability Engagement and Earnings Management: The Italian Context. *Sustainability* 2020, 12, 4881.
- [6] Fatemi, A.; Fooladi, I.; Tehranian, H. Valuation effects of corporate social responsibility. *J. Bank. Financ.* 2015, 59, 182–192.
- [7] Chang, Y.; Lee, B. The impact of ESG activities on firm value: Multi-level analysis of industrial characteristics. *Sustainability* 2022, 14, 14444.
- [8] Chen, Z.; Xie, G. ESG disclosure and financial performance: Moderating role of ESG investors. *Int. Rev. Financ. Anal.* 2022, 83, 102291.
- [9] Deng, X.; Li, W.; Ren, X. More sustainable, more productive: Evidence from ESG ratings and total factor productivity among listed Chinese firms. *Financ. Res. Lett.* 2023, 51, 103439.
- [10] Han, H. Does increasing the QFII quota promote Chinese institutional investors to drive ESG? *Asia-Pac. J. Account. E.* 2022, 30, 2156362.
- [11] Lu, S.; Cheng, B. Does environmental regulation affect firms' ESG performance? Evidence from China. *Manag. Decis. Econ.* 2022.
- [12] Chen, Z.; Hu, L.; He, X.; Liu, Z.; Chen, D.; Wang, W. Green financial reform and corporate ESG performance in China: Empirical evidence from the green financial reform and innovation pilot zone. *Int. J. Environ. Res. Public Health* 2022, 19, 14981.
- [13] Mu, W.; Liu, K.; Tao, Y.; Ye, Y. Digital finance and corporate ESG. *Financ. Res. Lett.* 2023, 51, 103426.
- [14] Jang, G.-Y.; Kang, H.-G.; Kim, W. Corporate executives' incentives and ESG performance. *Financ. Res. Lett.* 2022, 49, 103187.
- [15] Chebbi, K.; Ammer, M.A. Board composition and ESG disclosure in Saudi Arabia: The moderating role of corporate governance reforms. *Sustainability* 2022, 14, 12173.
- [16] Eliwa, Y.; Aboud, A.; Saleh, A. Board gender diversity and ESG decoupling: Does religiosity matter? *Bus. Strateg. Environ.* 2023.
- [17] Chen, Y.; Xu, J. Digital transformation and firm cost stickiness: Evidence from China. *Financ. Res. Lett.* 2023, 52, 103510.