THE IMPACT OF DIGITAL BUSINESS STRATEGY ON FINANCIAL PERFORMANCE: THE ROLE OF DATA-DRIVEN DECISION-MAKING

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Abstract

This study examines the relationship between digital business strategy and financial performance, focusing on the role of data-driven decision-making. Drawing on the resource-based view and dynamic capabilities perspective, the paper analyses how digital technologies, data analytics, and evidence-based managerial decisions may contribute to profitability, operational efficiency, and improved resource allocation. The study applies a conceptual literature review and does not claim original empirical findings. The analysis suggests that digital strategy is more likely to generate financial value when supported by reliable data, analytical capabilities, managerial competence, and the integration of financial and operational information. The paper provides a conceptual basis for future empirical research.

Keywords: digital business strategy, financial performance, data-driven decision-making, strategic management, financial accounting, data analytics.

1. Introduction

Digital transformation has become an important component of contemporary strategic management. Organisations increasingly use digital technologies to improve operational processes, develop business models, and strengthen their competitive positions. However, investment in digital technologies does not automatically produce improved financial performance. The value of digitalisation depends on how effectively technological resources are integrated into organisational strategy and managerial processes [1, pp. 1–3].

Data-driven decision-making (DDDM) refers to the systematic use of relevant data and analytical evidence to support managerial choices. In financial management, this approach can strengthen budgeting, cost control, revenue forecasting, and performance evaluation. Mikalef et al. demonstrate that the performance benefits of big data analytics depend on the combination of organisational resources and contextual conditions rather than technology alone [2, pp. 261–276].

The purpose of this study is to conceptualise the role of data-driven decision-making in the relationship between digital business strategy and financial performance. The study addresses the following research question: How can data-driven decision-making help organisations translate digital business strategy into improved financial performance?

2. Methods

The study employs a conceptual literature review based on research concerning digital business strategy, data analytics, organisational resources, and financial performance. The analysis is organised around three interconnected concepts: digital business strategy as a strategic framework, data-driven decision-making as a managerial mechanism, and financial performance as the expected organisational outcome.

The theoretical interpretation draws on the resource-based view, which explains how valuable organisational resources can contribute to competitive advantage [3, pp. 99–120], and the dynamic

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capabilities perspective, which emphasises an organisation's capacity to integrate and reconfigure resources in changing environments [4, pp. 509–533].

No primary survey, interviews, or financial dataset were collected for this study. Accordingly, the paper presents a conceptual synthesis rather than statistical testing or claims of causal relationships.

3. Results

The literature-based analysis identifies three conceptual relationships.

First, digital business strategy provides the strategic direction for digital investment. Its potential financial contribution depends on whether technologies are aligned with organisational objectives, operational requirements, and performance priorities. Research by Ukko et al. examines the relationship between digital business strategy and financial performance and highlights the relevance of managerial and operational capabilities [1].

Second, data-driven decision-making can connect digital resources with managerial action. Data analytics can help organisations identify cost variations, monitor revenue trends, assess operational performance, and allocate resources more systematically. Nevertheless, analytical tools create value only when decision-makers can interpret the information and incorporate it into organisational processes [2, pp. 261–276].

Third, financial accounting can support the evaluation of digital strategy. Financial indicators—including operating costs, profitability, return on investment, and revenue growth—can be used to assess whether digital initiatives contribute to organisational objectives. Combining financial information with operational data may help managers distinguish between technology adoption and measurable business value.

Based on this synthesis, the study proposes the following conceptual relationship:

Digital business strategy → Data-driven decision-making → Financial performance

This framework represents a proposition for future empirical testing, not a statistically established causal model.

4. Discussion

The conceptual findings indicate that digital business strategy should be evaluated not only through technology adoption but also through the quality of decisions enabled by digital resources. The resource-based view suggests that technology alone may not provide a sustained competitive advantage; its value depends on how the organisation combines it with skills, processes, and other resources [3, pp. 99–120].

Similarly, the dynamic capabilities perspective helps explain why organisations need to adapt their strategies as market conditions and available information change [4, pp. 509–533]. Data-driven decision-making may support this adaptation by improving the timeliness and consistency of managerial assessments.

From a financial accounting perspective, organisations should connect digital initiatives with clearly defined performance indicators. Such integration can improve monitoring of investment outcomes and help managers evaluate whether digital expenditure supports profitability and operational efficiency. However, the actual magnitude and direction of these relationships require empirical investigation across different industries and organisational contexts.

5. Conclusion

This study conceptualises data-driven decision-making as a potential mechanism through which digital business strategy can contribute to financial performance. The literature indicates that technology investments are more likely to create organisational value when supported by analytical capabilities, managerial competence, and integration with financial and operational processes.

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The proposed framework offers a basis for future empirical studies examining whether data-driven decision-making mediates the relationship between digital business strategy and financial performance. Future research could test this relationship using firm-level financial indicators and measures of data analytics capability.

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