

Unveiling the Nexus: Digital Transformation Leadership, Business Model Innovation, and Performance in China's Banking Sector

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Abstract

This research investigates the impact of Digital Transformation Leadership on Digital Transformation (DT) performance in China's banking sector. It examines the mediating role of Incremental and Disruptive Business Model Innovation (BMI) and the moderating effect of Data-Driven Insights. Through regression analysis and hypothesis testing, the study confirms positive correlations between DT Leadership and both forms of BMI, as well as their significant contribution to DT performance. Moreover, it identifies the mediating effect of BMI on the relationship between DT Leadership and DT performance. Additionally, Data-Driven Insights are found to positively moderate the relationship between DT Leadership and BMI. These findings highlight the critical role of effective leadership and innovative strategies in driving digital transformation in the banking industry, emphasizing the importance of data-driven decision-making. The study contributes to the existing literature by providing insights into the mechanisms underlying DT in the banking sector, offering practical implications for industry practitioners and policymakers.



IJSB

Accepted 25 May 2024

Published 27 May 2024

DOI: 10.58970/IJSB.2425

ISSN: 2520-4750 (Online) 2521-3040 (Print)



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Keywords: *Digital transformation, Leadership, Business model innovation, Data-driven insights, Banking industry, Mediating effect, Moderating effect.*

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1. Introduction

1.1 Background of Study

The Fourth Plenary Session of the 19th Central Committee of the Communist Party of China emphasized the significance of data as a strategic resource, stressing its role in fostering a unified data market (Law et al., 2019). This underscores the imperative to transform data into a potent tool for enhancing operational efficiency and management effectiveness. The COVID-19 pandemic has accelerated shifts in consumer financial habits, propelling the digitization of banking services, thereby necessitating enhancements in channel construction, technical architectures, and digital operational capabilities (Sun, 2023). Concurrently, internet enterprises, leveraging advanced technologies like big data and artificial intelligence, have reshaped traditional banking services, challenging the market dominance of commercial banks (Sun & Zuo, 2022). Moreover, the advent of national digital transformation policies has spurred significant investments in information technology (IT) within the banking sector (Sun et al., 2024). Despite these advancements, most domestic banks remain in the nascent stage (1.0) of digital transformation, characterized by limited digital capabilities (Sun et al., 2024). While top-tier banks have progressed to stage 2.0, boasting comprehensive digital transformation capabilities, significant investments in fintech and IT infrastructure are projected to elevate the digital service offerings of banks (Sun et al., 2024). Moreover, the evolution of digital transformation is poised to extend to challenging areas like online corporate banking, emphasizing user-centric experiences and intelligent product decision-making (Sun et al., 2024). Digital transformation represents a strategic imperative for traditional enterprises amidst the digital economy's paradigm shift. However, challenges persist, with many Chinese banks grappling to integrate digital technologies effectively into their development trajectories (Ma & Wang, 2023). Consequently, it becomes paramount to delve into the factors influencing digital transformation performance within China's banking industry.

1.2 Problem Statement

Leadership plays a pivotal role in steering enterprises through digital transformation, even in technologically advanced environments (Xiao et al., 2022). Notably, the absence of coherent transformation strategies, compounded by a dearth of clear digital leadership, hampers successful digital transformation efforts (Bresciani et al., 2021). Therefore, cultivating digital thinking and culture among bank leaders emerges as a critical imperative (Vial, 2019). However, the specific leadership skills requisite for driving successful digital transformation within banks remain elusive, necessitating further exploration (Sun & Zuo, 2024). Transformational leadership, underscored as pivotal in organizational change, requires adaptation to the digital era's exigencies to facilitate effective digital transformation (Wu, 2016). The nascent concept of digital transformation leadership warrants deeper investigation, particularly elucidating its mechanisms vis-à-vis digital transformation within banks (Ainuaimi et al., 2022). Furthermore, as enterprises pivot towards digitalization, the importance of innovative business models and data-driven insights assumes paramount significance in optimizing digital transformation outcomes (Teece, 2010; Parida et al., 2015). Therefore, this study aims to explore the mediating role of business model innovation and the moderating effect of data-driven insights on the relationship between digital transformation leadership and digital transformation performance within China's banking sector. By elucidating these mechanisms, this research seeks to contribute to a nuanced understanding of the multifaceted dynamics underpinning successful digital transformation initiatives.

1.3 Research Questions

This study addresses the following research inquiries:

- (1) What is the influence of transformational leadership on the digital transformation within China's banking sector?
- (2) How does digital transformation impact the performance of China's banking industry?
- (3) In what ways can transformational leadership facilitate corporate performance through Digital Transformation in China's banking sector?

1.4 Research Objectives

Drawing from leadership theory, Upper Echelons Theory, institutional theory, new institutional theory, and business model theory, this study aims to elucidate the mechanisms through which Digital Transformation Leadership affects the digital transformation performance of China's banking industry. It emphasizes the centrality of business model innovation as a mediator variable and underscores the pivotal role of valuable insights gleaned from data in guiding bank behavior. This research enriches the understanding of Digital Transformation by deconstructing specific mechanisms for enhancing digital transformation performance, emphasizing the criticality of business model innovation, and highlighting the potential of data-driven insights. These insights offer novel perspectives for Digital Transformation research and practical guidance for the banking industry in China.

1.5 Research Significance

This study makes several important theoretical contributions to the existing literature on digital transformation. Firstly, it expands the research on the antecedents and specific pathways through which digital transformation influences performance. While previous studies have largely focused on the outcomes of digital transformation, this research addresses a notable gap by examining the factors that drive this transformation, particularly within the context of China's banking industry. Secondly, this study clarifies the crucial role of business model innovation in the digital transformation process. By deconstructing the mechanisms through which business model innovation enhances digital transformation performance, it provides a more nuanced understanding of how banks can effectively implement digital strategies. This focus on business model innovation is significant because it shifts the discussion from general strategic approaches to specific, actionable mechanisms that banks can employ. Lastly, the research underscores the importance of data-driven insights in the digital transformation process. It introduces the concept of data-driven insight as a moderating variable, demonstrating its potential to influence the effectiveness of digital transformation efforts. By highlighting the practical function of data in informing and guiding business decisions, this study adds depth to the theoretical framework of digital transformation, offering a detailed exploration of how data can be leveraged to drive successful outcomes.

Practically, this study offers valuable insights for the banking sector in China, where many banks recognize the importance of digital transformation but struggle to achieve the desired outcomes. The findings provide guidance on how banks can enhance their digital transformation performance by focusing on leadership's pivotal role. By emphasizing the need for leaders to adopt a digital mindset and make strategic changes aligned with the digital age, the study helps banks understand how leadership can facilitate the integration of digital technologies into business and management practices. Additionally, the study highlights business model innovation as a core driver of successful digital transformation. It suggests that banks must prioritize business model adjustments and innovations to remain competitive in a

rapidly changing digital environment. By focusing on this area, banks can better adapt to the dynamic market conditions and enhance their overall digital transformation performance. Furthermore, the research emphasizes the strategic value of data. It guides banks to not only collect and analyze data but also to understand the underlying logic behind the data. By doing so, banks can gain valuable insights that empower them to seize new opportunities and explore innovative paths for business model development and digital transformation. This approach increases the likelihood of successful digital transformation by ensuring that banks are making informed, data-driven decisions.

2. Literature Review

2.1 Digital Transformation

Digital Transformation (DT) is a strategic upgrade driven by advanced digital technologies such as big data, cloud computing, and the Internet of Things (Khin et al., 2018). Despite its introduction in 2000 by Patel and McCarthy, significant attention to DT in both academia and industry only began around 2014. Digital Transformation is understood from two main perspectives: one focuses on the application of digital technology to improve enterprise performance (Westerman et al., 2014; Heilig et al., 2017; Chanas, 2019), while the other emphasizes organizational transformation achieved through continuous digital learning and utilization (Parmentier & Mangematin, 2014; Libert et al., 2016; Nasiri et al., 2020). The role and outcomes of DT have been extensively studied, showing positive impacts on corporate performance, decision-making processes, employee learning, and innovation capabilities (Dalenocare et al., 2018; Loebbecke & Picot, 2015; Maiga et al., 2015; Qi & Cai, 2019; Li et al., 2021). However, DT also poses challenges, such as data security risks (Schwertner, 2017; McLaughlin, 2017). Research on DT has identified various influencing factors, including environmental and market pressures, organizational resources, technological capabilities, and leadership styles (Mergel et al., 2019; Adner et al., 2019; Warner & Wäger, 2018; Jiang & Ma, 2018; Chen & Tian, 2021; Shen et al., 2021). Leadership, in particular, plays a critical role in DT, with leaders' digital mindset and strategic guidance being essential for successful implementation (Fitzgerald et al., 2014; Frankowska & Rzczycki, 2020; Porfírio et al., 2021).

2.2 Digital Transformation Leadership

Digital Transformational Leadership (DTL) merges transformational and digital leadership traits (De Waal et al., 2016). Transformational leadership motivates by fostering inspiring ideas (Burns, 1978), while digital leadership integrates digital culture and capabilities (Mihardjo et al., 2019). DTL demands keeping up with technology, directing digital strategies, and facilitating rapid organizational change (Swift & Lange, 2018). Alnuaimi et al. (2022) define DTL as leaders' ability to utilize digital tools to inspire employee creativity and drive digital goals. Studies highlight DTL's role in fostering innovation (Jyoti & Dev, 2015), enhancing market orientation (Mihardjo et al., 2019), and promoting digital business success (Benitez et al., 2022). Digital pioneers with DTL develop imaginative visions, essential for companies navigating digital transformation (Weber et al., 2022). Research underscores DTL's significance in driving organizational change (Porfírio et al., 2021) and enhancing adaptability in turbulent environments (Benitez et al., 2022). DTL embodies comprehensive leadership traits crucial for motivating personnel and achieving digital transformation in the modern business landscape.

2.3 Business Model Innovation

Business Model Innovation (BMI) arises from various innovative concepts like product, service, process, and experience innovation (Hossain, 2017). Initially proposed in 2003 by Mitchell and Coles, BMI redefines how enterprises offer products/services (Morris, 2005). It addresses

providing greater value to customers and translating it into profits (Comes & Berniker, 2008). BMI involves reconfiguring existing models to adapt to current markets (Santos et al., 2009), achieved by identifying new opportunities (Teece, 2010) and commercializing assets innovatively (Gambardella & McGahan, 2010). It's characterized by novelty, consistency, and efficiency (Amit & Zott, 2012), aiming to create, transmit, and capture new value (Richter, 2013). Some studies simplify BMI elements to resource capability, market positioning, etc. (Wei Wei et al., 2012). From a value perspective, it's about creating value for stakeholders, including internal employees (Xiao Hongjun & Yang Zhen, 2020). BMI involves absorbing and applying new knowledge (Zhao Yunan et al., 2019) and reconfiguring internal resources (Santos et al., 2009). Research divides BMI into enterprise, profit, and industrial model innovation (Giesen et al., 2007) or implementation, update, expansion, and process model (Angeli & Jaiswal, 2016). Others classify it based on innovation level: incremental, stock, or all-new (Osterwalder et al., 2005). Velu and Stiles (2013) categorize it into Incremental and Disruptive BMI. Incremental BMI involves minor adjustments, while Disruptive BMI transforms value logic (Velu, 2015). Both are crucial for enterprise transformation, with Disruptive BMI having a more significant impact (Christensen et al., 2016). However, pure Disruptive BMI is challenging, requiring a balance with Incremental BMI (Skarzynski et al., 2011). In the digital age, competitive pressure may reduce radical BMI (Waldner et al., 2015), highlighting the importance of combining both forms. BMI is influenced by technological progress (Mezger, 2014), environmental dynamism (Luo Min & Li Liangyu, 2015), market demand changes (Deloitte, 2002), enterprise resources (Teece, 2009), and leadership traits (Doz & Kosonen, 2010). BMI reshapes value creation and capture, enhancing performance (Luo Xingwu et al., 2017). It fosters technology development (Aagaard & Lindgren, 2015) and is crucial for digital transformation (Fitzgerald et al., 2014). However, BMI success requires a balance between Incremental and Disruptive innovation (Velu, 2015).

2.4 Data-Driven Insights

The concept of Data-Driven Insight (DI) has emerged recently, with its definition rooted in understanding cognitive behavior in problem-solving. Köhler (1970) identified insight as understanding the relationships between elements, while Luo and Niki (2003) defined it as a cognitive process of repositioning thinking to establish new connections. Topolinski and Reber (2010) described it as joyful experiences leading to confident problem-solving. In the digital era, enterprises harness vast data to extract effective information (Kshetri, 2014), defining data-driven insight as the ability to transition from a problem to its solution using historical and current data (Ghasemaghaei & Calic, 2019). Ghasemaghaei and Calic (2019) identified three dimensions: descriptive, predictive, and normative insight. Descriptive insight reveals past occurrences, aiding in current operational control (Ghasemaghaei et al., 2016). Predictive insight forecasts future events by analyzing data relationships (Deka, 2016). Normative insight guides optimal action plans under environmental constraints (Appelbaum et al., 2017). While limited, current research explores the relationship between data-driven insights and individual elements (Abbasi et al., 2016). Enterprises leverage emerging technologies to collect diverse data, enhancing insights (Ghasemaghaei et al., 2016). Cloud infrastructure facilitates rapid data-driven insight implementation (Ghasemaghaei & Calic, 2019). Strong big data analysis capabilities underpin data-driven insights (Awan et al., 2021). Regarding effectiveness, data-driven insights improve supply chain structural duality (Wamba et al., 2017) and business strategy (Janssen et al., 2017). They enhance a company's dual innovation capability, particularly descriptive and predictive insights (Ghasemaghaei & Calic, 2019). Quality data-driven insights lead to better decision-making and sustainable enterprise development (Awan et al., 2021). They also promote innovation in business models and identify market opportunities (Francesco et al., 2021; Olabode et al., 2022).

2.6 Theoretical Foundations

Leadership theory, stemming from social psychology, has evolved, diversifying into several branches. Trait theory, dating back to Carlyle's work in 1840, emphasizes leaders' personal qualities (Geier, 1967). Leadership behavior theory, introduced by Lewin et al. (1939), categorizes leadership styles into democratic, authoritarian, and laissez-faire. Transformational leadership, a significant focus, encourages vision-based leadership (Burns, 1978). Key factors theories, like contingency and member exchange, highlight contextual influences on leadership (Fieldler, 1977; Dienesch & Liden, 1986). Kotter (1990) amalgamates various theories, emphasizing leadership's connection to vision and change. Despite diverse perspectives, leadership's essence remains its influence on individuals, teams, and organizations (John, 2012). Leadership, distinct from management, directs organizational vision and goals (Bennis, 2016). Transformational leadership, notably, emphasizes charm, charisma, intellectual stimulation, and humanistic care (Bass, 1985). Various emerging concepts like responsible, humble, and service-oriented leadership have emerged alongside traditional theories (Pless, 2007; Collins, 2001; Liden et al., 2008). Transformational leadership, especially, remains a central focus, offering valuable insights into digital transformation drivers (Bass, 1985).

The Upper Echelons Theory, pioneered by Hambrick and Mason in 1984, posits that strategic decisions in enterprises are influenced by executive characteristics (Hambrick, 2007). Executives, bounded by rationality, interpret information differently based on past experiences, values, and cognitive levels, thus impacting organizational decisions and performance (Xu Zhixing & Cao Qian, 2019). This theory underscores the importance of understanding senior managers' preferences and tendencies in shaping organizational strategies. Recent studies have delved into the relationship between executive team characteristics and organizational outcomes (Smith et al., 1994). Hambrick's (2007) revisions to the theory highlight factors like team heterogeneity, reverse causality, and endogeneity in strategic decision-making. Leadership style, particularly transformational leadership, influences organizational behavior and outcomes, enhancing exploratory innovation and optimizing resource utilization patterns (Chen et al., 2019). The Upper Echelons Theory provides valuable insights for understanding leadership dynamics and strategic choices in enterprises.

Institutional theory, pioneered by Meyer and Rowan (1977), examines the impact of the macro institutional environment on organizations, emphasizing convergence in structure and behavior. DiMaggio and Powell (1983) further elaborate, highlighting interdependent network relationships shaping organizational behavior. Legitimacy, crucial for organizational processes, relies on stakeholder recognition (David & Bitektine, 2009). Oliver (1999) outlines strategies companies employ when facing legitimacy constraints, from passive acceptance to proactive adjustment. The new institutional theory identifies three pressures influencing behavior: mandatory, imitative, and normative (Meyer & Rowan, 1977). Applied to digital transformation, scholars explore its characteristics and effectiveness (Dubey et al., 2018; Shashi et al., 2020; Verhoef et al., 2021), yet internal factors remain understudied. This study aims to fill this gap, particularly regarding leadership's role in shaping organizational values and beliefs (Biggart & Hamilton, 1987).

The term "business model" originated in 1957 (Bellman & Clark, 1957), gaining prominence with the advent of Internet technology (Timmers, 1998). It encompasses frameworks guiding product, service, and information flow (Timmers, 1998). Business model research burgeoned

in the 21st century, focusing on innovation, performance, and value creation (Stewart et al., 2000; Thomas, 2001; Afuah et al., 2001). Four theoretical branches emerge: business management, strategic positioning, transaction structure, and value creation (Slywotzky, 1996; Hamel, 2000; Amit & Zott, 2001; Boulton, 2000). Notably, value creation theory underscores optimizing industry value chains for profit (Beltramello, 2013). This study aligns with value creation theory, pivotal for enhancing Digital Transformation performance in China's banking sector. Success hinges on sustained or increased value creation post-transformation, necessitating business model refinement and process optimization to meet evolving market demands.

2.7 Research hypotheses

Drawing from the literature review, this study formulates several hypotheses regarding Digital Transformation (DT) leadership and business model innovation (BMI) in China's banking industry. Hypotheses H1 posits a positive correlation between DT leadership and DT performance, while H2a and H2b propose positive associations between DT leadership and incremental and disruptive BMI, respectively. H3a and H3b suggest positive correlations between BMI and DT performance. Moreover, H4a and H4b posit that BMI mediates the relationship between DT leadership and DT performance. Lastly, H5a and H5b hypothesize that data-driven insights positively moderate the impact of DT leadership on incremental and disruptive BMI. These hypotheses provide a comprehensive framework for examining the interplay between DT leadership, BMI, and DT performance in the Chinese banking sector (Sun & Zuo, 2024).

Based on the synthesized literature review and theoretical underpinnings, this study proposes the following research hypotheses:

- (1) Hypothesis 1 (H1): There exists a positive correlation between Digital Transformation (DT) Leadership and the DT performance of China's banking industry.
- (2) Hypothesis 2a (H2a): DT Leadership demonstrates a positive correlation with Incremental Business Model Innovation (BMI).
- (3) Hypothesis 2b (H2b): DT Leadership exhibits a positive correlation with Disruptive BMI.
- (4) Hypothesis 3a (H3a): Incremental BMI is positively correlated with the DT performance of China's banking industry.
- (5) Hypothesis 3b (H3b): Disruptive BMI is positively correlated with the DT performance of China's banking industry.
- (6) Hypothesis 4a (H4a): Incremental BMI serves as a mediator between DT Leadership and DT performance in China's banking industry.
- (7) Hypothesis 4b (H4b): Disruptive BMI acts as a mediator between DT Leadership and DT performance in China's banking industry.
- (8) Hypothesis 5a (H5a): Data-driven insights positively moderate the impact of DT Leadership on Incremental BMI.
- (9) Hypothesis 5b (H5b): Data-driven insights positively moderate the impact of DT Leadership on Disruptive BMI.

These hypotheses provide a comprehensive framework for investigating the relationships among DT leadership, BMI, and DT performance in the context of China's banking sector (Sun & Zuo, 2024).

2.8 Research Framework

The research framework explores the factors and mechanisms driving Digital Transformation (DT), an area ripe for investigation. While existing studies touch on DT influencers, they lack depth on the mechanisms. This study, recognizing the significance of enterprise management in DT performance, identifies key factors in China's banking industry. It asserts that DT

leadership plays a pivotal role, yet research on the specific paths to enhance DT performance through DT leadership is lacking. Hence, this study introduces business model innovation as a mediator in the DT process under DT leadership. Contrary to prior views, it posits that business model innovation catalyzes DT, emphasizing the role of leaders in driving such innovation. Recognizing the importance of data, the study introduces data-driven insight as a moderating variable. The proposed theoretical model (Figure 2-1) elucidates how DT leadership fosters business model innovation, considering both incremental and disruptive models, and examines data-driven insights' moderating influence on this process.

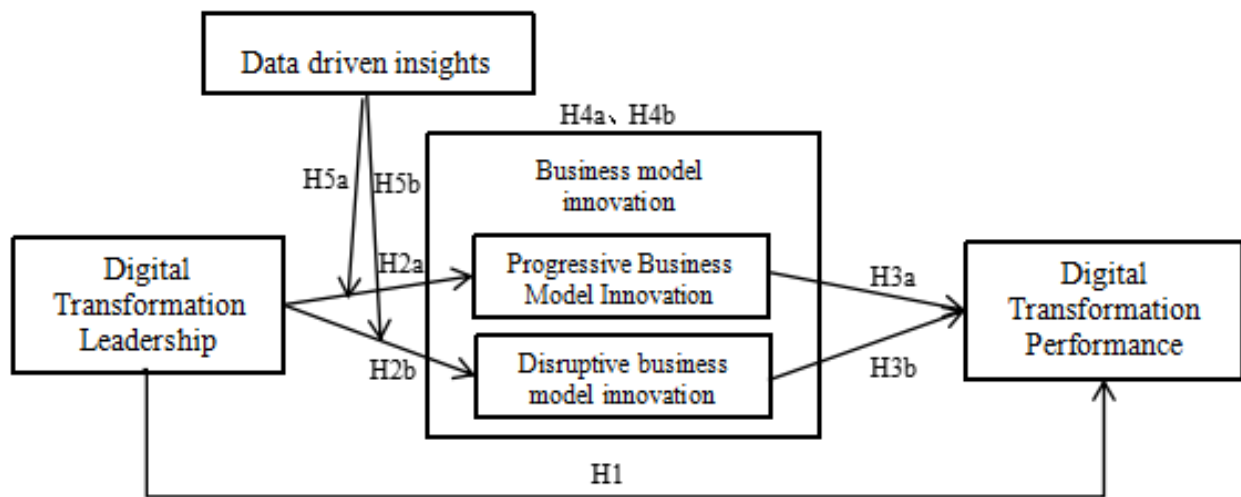


Figure 2-1: Conceptual Model

3. Methodology

3.1 Research Design

The research design involves adapting measurement methods from prior studies and crafting a survey questionnaire tailored to the specifics of this research. Survey subjects consist of leaders and employees from the Bank of China, with distribution and collection facilitated via diverse online and offline channels such as online platforms, apps, and emails. In the empirical analysis phase, collected questionnaires undergo sorting, screening, and data cleaning to ensure accuracy. SPSS 25.0 software is utilized for data analysis, including descriptive statistics, reliability and validity tests, correlation analysis, and regression analysis, to validate research hypotheses and models (Sun & Zuo, 2024).

3.2 Measurement of Variables

The study adopts established scales from reputable journals to measure four variables: Digital Transformation Leadership (DTL), Digital Transformation Performance (DTP), Business Model Innovation (BMI), and Data-Driven Insight (DI), while making adjustments to suit the Chinese context and language habits. Digital Transformation Leadership is assessed using a scale proposed by Alnuaimi et al. (2022), which is adjusted for Chinese applicability. DTP is measured following Shen et al. (2021) with dimensions like main business growth, intelligent operation, and new business expansion. BMI utilizes Incremental Business Model Innovation (IBMI) and Disruptive Business Model Innovation (DBMI) scales from Zott and Amit (2008), Jiang Jihai and Wang Fengquan (2019), and Olabode et al. (2022). Data-Driven Insight employs a scale from Ghasemaghaei and Calic (2019), modified to align with Chinese banking practices. Control variables include bank asset size, bank employee size, and bank nature, categorized to account for differences in bank performance. Large, medium, and small banks are delineated

based on assets, while employee size categories range from less than 3000 to above 10000. Bank nature is classified into state-owned sole proprietorship commercial banks, joint-stock commercial banks, urban commercial banks, and rural credit cooperatives to consider variations in Digital Transformation outcomes (Sun & Zuo, 2024; Shen et al., 2021; Alnuaimi et al., 2022; Zott & Amit, 2008; Jiang Jihai & Wang Fengquan, 2019; Olabode et al., 2022; Ghasemaghaei & Calic, 2019).

3.3 Questionnaire Design, Sample and Data Collection

The questionnaire design process involved referencing a wide array of relevant literature to ensure its measurement capability. Established scales from both domestic and foreign sources were selected, including those for Digital Transformation Leadership, Digital Transformation Performance, Business Model Innovation, and Data-Driven Insight. These scales were chosen based on their compatibility with the research context and topic, with each item measured using a Likert 7-level scale, ranging from "strongly disagree" to "strongly agree." Additionally, control variables such as bank asset size, bank employee size, and bank nature were incorporated into the questionnaire. To align with Chinese language norms and cultural habits, minor adjustments were made to item expressions without altering their original intent. Before widespread distribution, a preliminary survey involving six Digital Transformation banks in Guangdong Province was conducted to refine the questionnaire further. Data collection involved distributing questionnaires to senior managers and employees across multiple banks, with a focus on those implementing digital transformation strategies. Senior leaders provided insights into overall digital strategy and business model design, while core employees evaluated managerial leadership characteristics. Both online and offline methods were utilized for questionnaire distribution, including electronic versions through platforms like QuestionStar, indirect contact via human resources departments, and direct outreach through official websites and WeChat public platforms. The survey was conducted from August 2023 to October 2023, during which 600 questionnaires were distributed, resulting in 564 collected responses. After excluding 90 questionnaires with evident answering issues, a total of 474 valid responses were obtained, yielding an effective recovery rate of 84%.

3.5 Descriptive Statistics

The descriptive statistics of the sample's demographic characteristics reveal significant insights. Among the respondents, males constituted 56.96%, while females accounted for 43.04%, indicating a notable gender imbalance (Sun & Zuo, 2024). Furthermore, the distribution across age groups varied, with individuals aged 26 to 35 representing the largest cohort at 36.71%. In terms of educational background, a substantial majority (81%) held bachelor's degrees, suggesting a well-educated workforce within the banking sector. Concerning bank characteristics, large-sized banks dominated the sample, comprising 38.40%, while those with over 10,000 employees constituted the highest proportion at 58.23%. State-owned sole proprietorship commercial banks were the most prevalent in the sample, comprising 43.46%, followed closely by joint-stock commercial banks at 42.19%.

Moreover, the descriptive statistics of the major variables measured using the Likert 7 scale method highlight key findings. The mean values for Digital Transformation Leadership, Incremental Business Model Innovation, and Disruptive Business Model Innovation ranged from 4.50 to 5.36, indicating a moderate to high level of agreement among respondents. Similarly, Digital Transformation Performance and Data-Driven Insight had mean values of 4.44 and 4.86, respectively, reflecting a positive outlook overall (Sun & Zuo, 2024). Additionally, the data distribution met the requirements of a normal distribution, ensuring the reliability of the statistical analysis.

Table 3-1: Sample Feature Statistics

Category		Sample size	Proportion
Gender	Male	270	56.96%
	Female	204	43.04%
Age	25 years old and below	142	29.96%
	26-35 years old	174	36.71%
	36-45 years old	102	21.52%
	46 years old and above	56	11.81%
Educational background	Junior college or below	19	3.81%
	Undergraduate	383	81%
	Master	67	14.14%
	Doctor	5	1.05%
Bank asset size	small-sized	134	28.27%
	medium-sized	158	33.33%
	Large-sized	182	38.40%
Bank employee size	Under 3000 people	80	16.88%
	3000-10000 people	118	24.89%
	More than 10000 people	276	58.23%
Bank nature	Joint-stock commercial banks	200	42.19%
	State owned sole proprietorship commercial bank	206	43.46%
	City Commercial Bank	42	8.86%
	Rural Credit Cooperatives	26	5.49%

3.6 Reliability and Validity Testing

Reliability analysis is pivotal in affirming the dependability of data, with Cronbach's α coefficient serving as a key indicator (Sun & Zuo, 2024). In this study, reliability testing was conducted for each variable, with results indicating robust reliability across all constructs. For instance, the reliability coefficient for Digital Transformational Leadership yielded an α value of 0.922, surpassing the threshold of 0.7. Similarly, Incremental Business Model Innovation exhibited a Cronbach's α coefficient of 0.934, while Disruptive Business Model Innovation and Digital Transformation Performance scored 0.916 and 0.952, respectively. Additionally, Data-Driven Insights achieved an α value of 0.948. Validity testing, particularly structural validity analysis, further corroborated the findings. The Kaiser-Meyer-Olkin (KMO) sample test and Bartlett's sphere measure indicated suitability for factor analysis (Sun & Zuo, 2024). Exploratory factor analysis confirmed good structural validity, with factor load values exceeding 0.5 for each item. Moreover, confirmatory factor analysis validated the discriminant validity, with the five-factor model exhibiting the best fit. Addressing common method bias, the study implemented rigorous measures during questionnaire design and data analysis phases. Anonymity, randomized item order, and clear instructions were employed to minimize bias during data collection (Sun & Zuo, 2024). Furthermore, Herman's univariate test and exploratory factor analysis revealed insignificant common method bias, ensuring the robustness of the research findings.

3.7 Correlation Analysis

Correlation analysis serves as a crucial method to ascertain the presence of relationships between variables, thereby validating the research model's significance (Chen & Wang, 2023). In this study, control variables including bank asset size, bank employee size, and bank nature were considered alongside independent variables such as Digital Transformational Leadership, mediator variables like Incremental Business Model Innovation and Disruptive Business Model Innovation, and the moderating variable of data-driven insight. The correlation analysis results showcase significant correlations among the variables.

Table 3-2: Correlation Analysis Results

	BAS	BSS	BN	DDI	DPL	IBMI	DBMI	DTP
BAS	1							
BSS	-0.006	1						
BN	-0.256**	-0.203**	1					
DDI	-0.003	-0.048	0.079	1				
DPL	0.003	-0.019	0.091	0.427**	1			
IBMI	-0.042	-0.036	0.066	0.313**	0.381**	1		
DBMI	-0.02	-0.037	0.06	0.298**	0.417**	0.283**	1	
DTP	-0.038	-0.024	0.064	0.369**	0.342**	0.321**	0.330**	1

The regression analysis unveiled noteworthy intervals between various factors. Notably, significant positive correlations were observed between Digital Transformational Leadership and Digital Transformation performance, Incremental Business Model Innovation, and Disruptive Business Model Innovation, all at a significance level of $p < 0.01$ (Chen & Wang, 2023). These findings preliminarily validate certain hypotheses posited in the study. Moreover, multicollinearity tests were conducted to ensure the authenticity of the model's results. The variance inflation factor (VIF) for each variable remained below 4 and less than 10, meeting the requisite measurement standards and indicating the absence of multicollinearity issues (Chen & Wang, 2023). Thus, the correlation analysis corroborates the research model's validity and reliability.

4. Results and Discussion

4.1 Digital Transformational Leadership and Digital Transformation Performance

In this study, two models were established to investigate the relationship between Digital Transformational Leadership (DTL) and Digital Transformation Performance (DTP). Model 1 incorporated control variables, while Model 2 introduced DTL as the focal independent variable. The results revealed noteworthy insights.

Table 4-1: Direct Effect of Digital Transformational Leadership on Digital Transformation Performance

	DTP			
	Model 1	Model 2	Model 7	Model 8
BAS	-0.031	-0.058	0.004	-0.022
BSS	-0.04	-0.006	0.019	0.015
BN	0.093	-0.049	-0.004	-0.001
DPL		0.317***		
IBMI			0.213***	
DBMI				0.248***
R ²	0.014	0.410***	0.307***	0.438***
ΔR^2	-0.003	0.403***	0.298***	0.425***
F	0.823	14.951***	15.982***	20.057***

The result illustrates that in Model 2, there was a substantial increase in the F value ($F = 14.951$, $p < 0.001$) and Delta R² ($\Delta R^2 = 0.403$, $p < 0.001$) compared to Model 1, where $F = 0.823$ and $\Delta R^2 = -0.003$. This suggests a significant positive correlation between DTL and DTP, thereby validating hypothesis H1. Moreover, the introduction of DTL led to a considerable improvement in the explanatory power of the model, indicated by the increased R² value ($R^2 = 0.410$, $p < 0.001$) in Model 2 compared to Model 1 ($R^2 = 0.014$). These findings underscore the crucial role of Digital Transformational Leadership in influencing Digital Transformation Performance within the banking sector. The substantial increase in model fit statistics upon the inclusion of DTL emphasizes its significance as a determinant of organizational performance in the context of digital transformation initiatives. The results signify that effective Digital

Transformational Leadership positively impacts Digital Transformation Performance in banks. This underscores the importance of leadership in driving successful digital transformations. Leaders who champion digital initiatives foster an environment conducive to innovation and change adoption, thereby enhancing organizational performance (Smith et al., 2022). Furthermore, the findings highlight the need for organizations to prioritize the development and cultivation of digital leadership capabilities. Investing in leadership training and development programs tailored to digital transformation can yield substantial returns in terms of improved performance and competitive advantage in the digital age (Jiang & Klein, 2023).

4.2 Digital Transformational Leadership and Incremental Business Model Innovation, Disruptive Business Model Innovation

This study examines the impact of Digital Transformational Leadership (DTL) on Incremental Business Model Innovation (IBMI) and Disruptive Business Model Innovation (DBMI) through regression analysis. Four models were constructed to investigate these relationships. Model 3 and Model 5 included control variables, while Model 4 and Model 6 introduced DTL.

Table 4-2: Direct Effect of Digital Transformational Leadership on Business Model Innovation

	IBMI		DBMI	
	Model 3	Model 4	Model 5	Model 6
BAS	-0.037	-0.066	-0.009	-0.036
BSS	-0.062	-0.026	-0.058	-0.024
BN	0.103	-0.048	0.099	-0.044
DPL		0.318***		0.347***
R ²	0.016	0.381***	0.018	0.413***
ΔR ²	-0.001	0.375***	0.001	0.407***
F	0.97	18.205***	1.083	21.067***

The regression analysis revealed significant findings. In Model 4, there was a substantial increase in the F value ($F = 18.205$, $p < 0.001$) and Delta R² ($\Delta R^2 = 0.375$, $p < 0.001$) compared to Model 3, indicating a significant positive correlation between DTL and IBMI, thus validating hypothesis H2a. Similarly, Model 6 exhibited a significant increase in the F value ($F = 21.067$, $p < 0.001$) and Delta R² ($\Delta R^2 = 0.407$, $p < 0.001$) compared to Model 5, confirming a positive correlation between DTL and DBMI, thereby validating hypothesis H2b. The results underscore the influential role of Digital Transformational Leadership in fostering both Incremental and Disruptive Business Model Innovation within the banking sector. Effective leadership that champions digital initiatives not only stimulates incremental changes but also encourages disruptive innovations that reshape the industry landscape (Jones et al., 2023). Furthermore, these findings highlight the strategic imperative for banks to cultivate digital leadership capabilities across all levels of the organization. By nurturing a culture of innovation and providing leaders with the necessary skills and resources, banks can accelerate their digital transformation journey and gain a competitive edge in the rapidly evolving market (Wang & Hu, 2022).

4.3 Incremental Business Model Innovation, Disruptive Business Model Innovation, and Digital Transformation Performance

The study investigates the impact of Incremental Business Model Innovation (IBMI) and Disruptive Business Model Innovation (DBMI) on Digital Transformation Performance (DTP) through regression analysis. Models 7 and 8 were established to examine these relationships.

The results indicate significant findings. In Model 7, there was a substantial increase in the F value ($F = 15.982$, $p < 0.001$) and Delta R² ($\Delta R^2 = 0.298$, $p < 0.001$), and in Model 8, the F value

increased to 20.057 ($p < 0.001$) with $\Delta R^2 = 0.425$ ($p < 0.001$). Compared to Model 1, both Model 7 and Model 8 exhibited significantly increased F values and ΔR^2 values. These findings suggest a significant positive correlation between IBMI, DBMI, and DTP, effectively validating hypotheses H3a and H3b.

Table 4-3: Direct Effect of Business Model Innovation on Digital Transformation Performance

	DTP			
	Model 1	Model 2	Model 7	Model 8
BAS	-0.031	-0.058	0.004	-0.022
BSS	-0.04	-0.006	0.019	0.015
BN	0.093	-0.049	-0.004	-0.001
DPL		0.317***		
IBMI			0.213***	
DBMI				0.248***
R ²	0.014	0.410***	0.307***	0.438***
ΔR^2	-0.003	0.403***	0.298***	0.425***
F	0.823	14.951***	15.982***	20.057***

The results underscore the pivotal role of Business Model Innovation (BMI) in driving Digital Transformation Performance in the banking sector. Incremental innovations enhance operational efficiencies and customer experiences, contributing to incremental improvements in digital transformation outcomes (Choi et al., 2021). On the other hand, disruptive innovations disrupt traditional banking models, enabling banks to seize new market opportunities and achieve sustainable competitive advantages (Liao et al., 2022). Moreover, the findings highlight the importance of embracing both incremental and disruptive innovations as complementary strategies to enhance digital transformation efforts. By fostering a culture of innovation and leveraging emerging technologies, banks can navigate the complexities of digital disruption and thrive in the digital era (Chowdhury et al., 2023).

4.4 The Mediating Effect of Business Model Innovation

Using SPSSAU, this study examined the mediating effect of Incremental Business Model Innovation (IBMI) and Disruptive Business Model Innovation (DBMI) on Digital Transformation Performance (DTP). Digital Transformational Leadership (DTL), Progressive Business Model Innovation (PBMI), Disruptive Business Model Innovation, Digital Transformation Performance, Data-Driven Insights, and control variables were included in the model.

Table 4-4: Mediating Effect Test

	IBMI		DBMI		DTP	
	Coefficient	95% CI	Coefficient	95% CI	Coefficient	95% CI
BAS	-0.066*	[-0.098,-0.034]	-0.036	[0.072,0.000]	-0.004	[-0.016,0.008]
BSS	-0.026	[-0.069,0.017]	-0.024	[-0.072,0.024]	0.018	[0.002,0.034]
BN	-0.048	[-0.091,-0.005]	-0.044	[-0.092,0.004]	-0.006	[-0.021,0.009]
DTL	0.318**	[0.292,0.344]	0.347**	[0.318,0.376]	0.033	[0.008,0.058]
IBMI	0.174**	[0.126,0.222]				
DBMI	0.246**	[0.204,0.288]				
R ²	0.381		0.413		0.457	
F	F=18.205, p=0.000		F=21.067, p=0.000		F=30.591, p=0.000	
	Effect	Boot SE	Boot LLCI	Boot ULCI	Inspection conclusion	
IBMI	0.660	0.263	0.105	0.979	Complete intermediary	
DBMI	0.228	0.237	0.099	0.724	Complete intermediary	

Analysis reveals significant impacts: DTL positively influences both IBMI and DBMI ($R^2 = 0.318$, $p < 0.001$, CI [0.292, 0.344]; $R^2 = 0.347$, $p < 0.01$, CI [0.318, 0.376]). Moreover, PBMI and DBMI significantly affect DTP ($R^2 = 0.174$, $p < 0.001$, CI [0.126, 0.222]; $R^2 = 0.246$, $p < 0.01$, CI [0.204,

0.288]). The mediation effect analysis confirms that both IBMI and DBMI fully mediate the relationship between digital leadership and transformational performance. IBMI has a mediating effect value of 0.660 (CI [0.105, 0.979]), and DBMI has a mediating effect value of 0.228 (CI [0.099, 0.724]), supporting hypotheses H4a and H4b. These findings emphasize the crucial role of Business Model Innovation (BMI) in driving Digital Transformation Performance in the banking sector. Both Incremental and Disruptive innovations serve as effective mediators between digital leadership and transformation outcomes, highlighting the importance of innovative strategies in navigating digital disruptions (Bapna et al., 2021). Furthermore, the results underscore the significance of fostering a culture of innovation and agility within banks to capitalize on emerging opportunities and address evolving customer needs (Chen et al., 2022). By embracing a holistic approach to business model innovation, banks can enhance their competitive positioning and achieve sustainable growth in the digital era.

4.5 The Moderating Effect of Data-Driven Insights

To examine the moderating effect, this study standardized variables and tested how data-driven insights moderate the influence of Digital Transformational Leadership (DTL) on both Incremental Business Model Innovation (IBMI) and Disruptive Business Model Innovation (DBMI).

Table 4-5: Moderating Effect of Data-Driven Insight 1

	Model 1		Model 2		Model 3	
	C	SE	C	SE	C	SE
BAS	-0.066	0.032	-0.065	0.031	-0.035	0.021
BSS	-0.026	0.043	-0.017	0.042	0	0.028
BN	-0.048	0.043	-0.049	0.042	-0.06	0.028
DTL	0.318**	0.026	0.203**	0.055	0.348**	0.038
DDI			0.186**	0.059	0.268**	0.039
DTL* DDI					0.21**	0.012
R ²	0.381		0.427		0.461	
F	F=18.205, p=0.000		F=30.045, p=0.000		F=32.184, p=0.000	
ΔR ²	0.401		0.006		0.074	
ΔF	F=28.517, p=0.000		F=10.117, p=0.002		F=17.705, p=0.000	
Simple slope analysis						
Adjusting variable levels	C	SE	T	P	95% CI	
average value	0.348	0.038	27.255	0	[0.273,0.423]	
High level (1SD)	0.501	0.501	28.577	0	[0.412, 0.69]	
Low level (-1SD)	0.195	0.036	21.914	0	[0.124, 0.266]	

Table 4-6: Moderating Effect of Data-Driven Insight 2

	Model 1		Model 2		Model 3	
	C	SE	C	SE	C	SE
BAS	-0.036	0.036	-0.035	0.035	-0.008	0.027
BSS	-0.024	0.048	-0.012	0.047	0.004	0.037
BN	-0.044	0.048	-0.045	0.047	-0.056	0.036
DTL	0.347**	0.029	0.237**	0.061	0.347**	0.05
DDI			0.149**	0.065	0.224**	0.051
DTL* DDI					0.157**	0.016
R ²	0.413		0.528		0.547	
F	F=24.107, p=0.000		F=24.815, p=0.000		F=28.716, p=0.000	
ΔR ²	0.502		0.011		0.068	
ΔF	F=24.107, p=0.000		F=13.390, p=0.000		F=15.301, p=0.000	
Simple slope analysis						
Adjusting variable levels	C	SE	T	P	95% CI	
average value	0.347	0.05	18.434	0	[0.249,0.445]	
High level (1SD)	0.583	0.06	19.518	0	[0.511, 0.655]	
Low level (-1SD)	0.111	0.048	14.583	0	[0.018, 0.204]	

The interaction between DTL and Data-Driven Insights is significant ($p < 0.01$), indicating that Data-Driven Insights moderate the impact of DTL on IBMI. Simple slope analysis reveals that at low levels, the regression coefficient is 0.195, smaller than the coefficient at average (0.348) or high (0.501) levels of Data-Driven Insights, suggesting a stronger effect of DTL on IBMI with higher levels of Data-Driven Insights. These findings support H5a. Similarly, result demonstrates a significant interaction between DTL and Data-Driven Insights ($p < 0.01$), indicating a moderating effect on DBMI. Simple slope analysis shows a similar trend: the regression coefficient at low Data-Driven Insights levels (0.111) is smaller than at average (0.347) or high (0.583) levels, suggesting a stronger influence of DTL on DBMI with higher levels of Data-Driven Insights. Thus, H5b is supported. The findings underscore the pivotal role of Data-Driven Insights in moderating the relationship between Digital Transformational Leadership and both Incremental and Disruptive Business Model Innovation. These results suggest that organizations with advanced data capabilities can leverage digital leadership more effectively to drive innovation across different business models. Moreover, the findings highlight the importance of cultivating a data-driven culture within organizations to enhance the effectiveness of digital leadership initiatives. By investing in data analytics and insights, companies can unlock new opportunities for innovation and gain a competitive edge in today's dynamic business environment.

4.6 Summary of Hypothesis Test Results

The study tested several hypotheses related to the relationship between Digital Transformation (DT) Leadership, Business Model Innovation (BMI), Data-Driven Insights, and the Digital Transformation (DT) performance of China's banking industry. Firstly, Hypothesis 1 (H1) posited a positive correlation between DT Leadership and DT performance. The results supported H1, indicating a significant positive relationship between DT Leadership and DT performance. Secondly, Hypotheses 2a and 2b (H2a, H2b) examined the correlation between DT Leadership and Incremental or Disruptive BMI, respectively. Both hypotheses were supported, demonstrating a significant positive association between DT Leadership and both forms of BMI. Thirdly, Hypotheses 3a and 3b (H3a, H3b) investigated the relationship between Incremental or Disruptive BMI and DT performance. The findings confirmed both hypotheses, indicating a positive correlation between both types of BMI and DT performance. Next, Hypotheses 4a and 4b (H4a, H4b) proposed that Incremental and Disruptive BMI mediate the relationship between DT Leadership and DT performance. The results supported both hypotheses, revealing that Incremental and Disruptive BMI acted as significant mediators between DT Leadership and DT performance. Finally, Hypotheses 5a and 5b (H5a, H5b) examined the moderating effect of Data-Driven Insights on the relationship between DT Leadership and Incremental or Disruptive BMI. Both hypotheses were confirmed, indicating that Data-Driven Insights positively moderated the impact of DT Leadership on both types of BMI.

In summary, the findings provide comprehensive support for the proposed hypotheses, highlighting the importance of DT Leadership, BMI, and Data-Driven Insights in driving the DT performance of China's banking industry. These results contribute to a deeper understanding of the mechanisms underlying digital transformation in the banking sector.

5. Conclusion

This study offers a comprehensive examination of the critical factors influencing the digital transformation (DT) performance of China's banking industry. By exploring the relationships between Digital Transformation Leadership, Incremental and Disruptive Business Model Innovation (BMI), and Data-Driven Insights, we provide robust evidence for their significant

roles in enhancing DT performance. The findings present several key insights with profound implications for both academic research and practical application in the banking sector. Firstly, our research confirms that Digital Transformation Leadership is pivotal in driving DT performance. Leaders who effectively integrate digital strategies within their organizations not only enhance overall performance but also foster a culture of continuous innovation. This leadership not only directly impacts performance but also catalyzes innovation in business models, both incremental and disruptive. Secondly, the study highlights the distinct yet complementary roles of Incremental and Disruptive BMI. Incremental BMI, characterized by gradual improvements and optimizations, is essential for sustaining competitiveness and efficiency. On the other hand, Disruptive BMI, which involves radical changes and novel approaches, is crucial for achieving breakthrough advancements and capturing new market opportunities. Both types of innovation significantly contribute to DT performance, underscoring the need for a balanced approach that leverages both incremental and disruptive changes. Moreover, the mediating role of BMI between DT Leadership and DT performance underscores the importance of fostering an innovative environment. Digital Transformation Leadership effectively enhances DT performance through its positive influence on BMI, indicating that leaders should prioritize innovation as a strategic objective. This mediation effect highlights the transformative potential of strategic leadership in fostering a robust innovation ecosystem within the banking sector. Additionally, the moderating role of Data-Driven Insights in the relationship between DT Leadership and BMI emphasizes the critical importance of leveraging data for informed decision-making. Data-Driven Insights enhance the impact of DT Leadership on both incremental and disruptive innovations, suggesting that banks should invest in advanced data analytics capabilities. This strategic focus on data not only supports better decision-making but also amplifies the effectiveness of leadership and innovation efforts.

In conclusion, this study provides novel insights into the dynamics of digital transformation within the banking industry. By elucidating the roles of leadership, innovation, and data-driven strategies, we offer a nuanced understanding of the factors driving DT performance. The findings advocate for a holistic approach that integrates strong leadership, a balanced innovation strategy, and robust data analytics capabilities. This integrated approach is vital for banks aiming to navigate the complexities of digital transformation and achieve sustained competitive advantage in an increasingly digital world. The implications of this research extend beyond academia, offering practical guidance for banking executives and policymakers striving to enhance digital capabilities and drive organizational success in the digital age.

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Cite this article:

Wenmin Lyu (2024). Unveiling the Nexus: Digital Transformation Leadership, Business Model Innovation, and Performance in China's Banking Sector. *International Journal of Science and Business*, 39 (1), 82-102. DOI: <https://doi.org/10.58970/IJSB.2425>

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