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Reconceptualizing Digital Transformation and Firm Performance: An Integrated Framework of Digitalization Paradox, and Strategic Value Creation

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ABSTRACT

Digital transformation offers opportunities to improve innovation, efficiency, and competitiveness, yet its performance outcomes remain inconsistent. This digitalization paradox raises questions about why comparable technological investments generate divergent organizational returns. Existing explanations emphasize resources and capabilities while giving limited attention to managerial cognition, particularly managerial myopia, which prioritizes immediate financial outcomes over sustained capability development. This study develops an integrated framework examining how managerial myopia conditions the relationship between digital transformation and firm performance. Drawing on dynamic capability theory, strategic cognition, organizational ambidexterity, and the resource-based view, it proposes that digital investments create sustainable value through strategic alignment, organizational learning, and adaptive capabilities. Managerial myopia undermines these mechanisms by encouraging fragmented implementation, limited learning investment, and misalignment between technology adoption and strategic objectives. A mixed-methods design combines bibliometric analysis, panel-data econometric modeling, structural equation modeling, and executive surveys across manufacturing, financial services, retail, healthcare, and technology firms. Findings indicate that digital transformation strengthens innovation capability, organizational agility, and strategic adaptability, although these relationships weaken under high managerial myopia. Organizational ambidexterity and strategic adaptability mediate performance effects, while firms emphasizing sustained learning and capability integration achieve stronger outcomes. The findings identify strategic misalignment as a principal explanation for unrealized digital value. The study extends digital transformation research by integrating managerial cognition into technology–performance relationships and explaining heterogeneous organizational outcomes. It provides executives and policymakers with guidance for aligning digital initiatives with adaptive leadership, organizational culture, employee development, and sustained innovation to enhance firm performance.

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1. INTRODUCTION

Digital transformation has become one of the most influential strategic phenomena shaping the evolution of contemporary organizations, industries, and global economies. The rapid advancement of digital technologies including artificial intelligence (AI), big data analytics, cloud computing, blockchain infrastructures, Internet of Things (IoT), automation systems, and platform-based ecosystems has fundamentally altered how firms create value, manage operations, interact with customers, and sustain competitive advantage within increasingly dynamic market environments [1]. Across industries, organizations are investing heavily in digital infrastructures and transformation initiatives in pursuit of greater operational efficiency, strategic agility, innovation capability, customer responsiveness, and long-term growth. Governments, policymakers, and international institutions similarly recognize digital transformation as a central driver of industrial modernization, economic resilience, and global competitiveness within the Fourth Industrial Revolution [2].

The strategic importance of digital transformation has intensified significantly following the acceleration of digital adoption across global markets and organizational ecosystems. Firms increasingly rely on digital technologies not only to optimize internal processes but also to redesign business models, create data-driven capabilities, enhance customer experience, and develop platform-oriented value networks [3]. Digital transformation is therefore no longer perceived merely as technological modernization but as a broader organizational and strategic process involving profound changes in organizational culture, managerial decision-making, governance systems, innovation processes, and institutional adaptation.

Despite the growing strategic emphasis on digital transformation, existing empirical evidence regarding its influence on firm performance remains highly inconsistent and paradoxical. While numerous organizations achieve substantial improvements in productivity, innovation capability, market competitiveness, and financial performance through digital transformation initiatives, many others experience disappointing outcomes characterized by escalating costs, operational inefficiency, strategic fragmentation, implementation failure, and declining organizational performance [4]. Large-scale digital investments frequently fail to produce proportional economic returns, leading many firms to encounter substantial challenges in translating technological adoption into sustainable strategic value. This contradiction, increasingly conceptualized as the "digitalization paradox," challenges the dominant assumption that digital transformation automatically improves firm performance and organizational competitiveness.

The digitalization paradox reflects a broader recognition that digital transformation is not inherently beneficial and that technological adoption alone is insufficient for generating sustainable competitive advantage [5]. Existing research demonstrates that organizations frequently encounter significant barriers during digital transformation processes including organizational resistance, employee adaptation difficulties, capability misalignment, governance complexity, cultural inertia, fragmented implementation strategies, and insufficient strategic integration [6]. Consequently, firms may invest heavily in advanced technologies while failing to develop the organizational structures, managerial capabilities, and strategic alignment necessary for effective transformation outcomes.

This issue is particularly important because contemporary organizations increasingly operate within volatile and rapidly evolving digital ecosystems characterized by accelerated technological disruption, platform competition, changing consumer behavior, data-driven business models, and continuous innovation pressure [7]. Under such conditions, organizations must not only adopt digital technologies but also develop adaptive capabilities enabling continuous strategic renewal, organizational learning, and long-term innovation. However, many firms approach digital transformation through short-term operational optimization strategies focused primarily on immediate financial performance and efficiency gains rather than broader organizational adaptation and sustainable value creation.

The growing prevalence of digital transformation failure highlights important limitations within current digital transformation scholarship. Existing literature has primarily focused on technological infrastructure, digital capability development, information systems integration, innovation adoption, and operational efficiency as central determinants of organizational performance [8]. Although these perspectives provide valuable insights into the technological and operational dimensions of digital transformation, they often overlook the cognitive, strategic, and managerial mechanisms shaping firms' ability to convert digital investments into sustainable organizational value. As a result, current research remains insufficiently equipped to explain why firms with similar technological investments frequently experience substantially different performance outcomes.

One of the most important yet theoretically underdeveloped concepts relevant to understanding these contradictions is managerial myopia. Managerial myopia generally refers to excessive short-term orientation in

managerial decision-making in which executives prioritize immediate financial outcomes and short-term performance metrics at the expense of long-term organizational capability development, strategic adaptability, and sustainable innovation [9]. Within digitally transforming firms, managerial myopia may manifest through fragmented digital implementation, superficial technology adoption, underinvestment in organizational learning, and excessive focus on rapid financial returns rather than long-term transformation capability.

The relevance of managerial myopia has intensified within modern corporate environments characterized by shareholder pressure, quarterly earnings expectations, market volatility, and increasing demands for short-term financial performance [10]. Organizations frequently face pressure to demonstrate immediate returns from digital investments, thereby encouraging executives to prioritize visible technological implementation projects rather than deeper organizational transformation processes. Consequently, digital transformation may become reduced to isolated technological initiatives lacking strategic coherence, organizational integration, and long-term adaptive orientation.

This issue is especially significant because successful digital transformation requires extensive organizational commitment involving cultural adaptation, workforce reskilling, process redesign, innovation ecosystem development, strategic experimentation, and continuous organizational learning [11]. These processes often require substantial time horizons and sustained managerial commitment before generating measurable performance outcomes. Firms characterized by strong managerial myopia may therefore struggle to realize the long-term strategic benefits of digital transformation because short-term performance pressures discourage patient investment in organizational adaptability and capability development.

The resource-based view (RBV) provides an important theoretical foundation for understanding the relationship between digital transformation and firm performance. RBV argues that firms achieve sustained competitive advantage through valuable, rare, inimitable, and organizationally embedded resources [12]. Digital technologies may function as strategic organizational resources capable of enhancing operational efficiency, innovation capability, and competitive positioning. However, digital technologies alone rarely generate sustainable advantage because technological capabilities are often replicable and rapidly diffused across industries. Consequently, firms increasingly require complementary organizational capabilities enabling effective integration and strategic utilization of digital technologies.

Dynamic capability theory further extends this perspective by emphasizing organizations' ability to integrate, reconfigure, and renew organizational resources in response to rapidly changing environments [13]. Digital transformation increasingly depends on firms' capacity to develop adaptive capabilities involving strategic flexibility, innovation orientation, organizational learning, and managerial responsiveness. Firms possessing strong dynamic capabilities may therefore be better positioned to translate digital investment into sustainable organizational value and long-term competitive advantage.

However, managerial myopia may substantially weaken firms' dynamic capability development by encouraging rigid decision-making structures, risk aversion, short-term resource allocation, and fragmented strategic planning. Organizations emphasizing immediate financial outcomes may underinvest in organizational experimentation, workforce development, and innovation ecosystems necessary for successful digital transformation. Consequently, managerial cognition and strategic orientation emerge as critically important determinants of transformation effectiveness and long-term value creation.

The concept of organizational ambidexterity provides additional insight into the paradoxical nature of digital transformation outcomes. Organizational ambidexterity refers to firms' ability to simultaneously pursue exploitation of existing operational capabilities while exploring new innovation opportunities and strategic experimentation [14]. Digital transformation frequently requires organizations to balance operational efficiency with long-term innovation and adaptive renewal. However, managerial myopia may disrupt this balance by emphasizing short-term exploitation strategies at the expense of exploratory innovation and strategic experimentation.

As a result, organizations may achieve temporary operational improvements through digital automation and efficiency optimization while undermining long-term innovation capability and strategic adaptability. These tensions contribute significantly to the emergence of the digitalization paradox, wherein technological investment generates mixed or contradictory performance outcomes depending on firms' strategic orientation and organizational adaptability.

Existing empirical studies increasingly suggest that successful digital transformation depends less on technological investment intensity and more on strategic alignment, adaptive leadership, organizational learning capability, and institutional flexibility [15]. Nevertheless, current literature remains fragmented across strategic management, information systems, organizational behavior, innovation studies, and digital business research. There remains no integrated theoretical framework capable of explaining how digital transformation, managerial cognition, strategic orientation, organizational adaptability, and capability development collectively influence firm performance outcomes.

Another major limitation concerns the dominant technology-centric orientation of existing digital transformation research. Many studies implicitly assume linear relationships between digital adoption and organizational performance while underestimating the broader organizational complexity of transformation processes [16]. In reality, digital transformation frequently generates organizational disruption, employee resistance, governance instability, capability fragmentation, and strategic ambiguity. Digital technologies may therefore simultaneously create opportunities for innovation and risks of organizational inefficiency depending on how transformation processes are strategically managed.

The increasing integration of AI-driven systems and data-centric organizational infrastructures further intensifies these complexities. AI technologies increasingly shape organizational decision-making, predictive analytics, customer engagement systems, operational optimization, and strategic governance [17]. While these technologies may improve efficiency and innovation capability, they may also create new organizational risks involving algorithmic dependence, ethical governance, workforce displacement, and decision-making opacity. Consequently, digital transformation should be understood not merely as technological implementation but as a multidimensional strategic transformation process involving cognitive, institutional, organizational, and cultural adaptation.

This study argues that the digitalization paradox emerges primarily from strategic and managerial misalignment rather than technological insufficiency alone. Specifically, the study proposes that managerial myopia weakens organizations' ability to realize sustainable value from digital transformation by limiting long-term investment orientation, organizational learning capability, adaptive experimentation, and strategic integration. Firms emphasizing immediate financial outcomes may therefore fail to develop the institutional and organizational foundations necessary for effective digital transformation.

To address these limitations, the present study develops an integrated framework linking digital transformation, digitalization paradox, managerial myopia, organizational adaptability, and strategic value creation. Drawing upon dynamic capability theory, strategic cognition theory, RBV, and organizational ambidexterity literature, the study conceptualizes digital transformation as a strategic organizational capability rather than merely a technological implementation process. The study seeks to explain how managerial cognition and strategic orientation influence firms' ability to convert digital investments into sustainable organizational performance and long-term competitive advantage.

The study contributes to the literature in several important ways. First, it advances digital transformation scholarship by integrating managerial cognition and strategic orientation into existing technology-performance frameworks. Second, it extends digitalization paradox literature by conceptualizing managerial myopia as a central explanatory mechanism underlying heterogeneous transformation outcomes. Third, the study contributes theoretically by integrating strategic management, organizational behavior, innovation capability, and digital transformation perspectives within a unified interdisciplinary framework. Fourth, the research contributes practically by providing strategic guidance for executives and policymakers seeking to design sustainable and value-oriented digital transformation strategies within increasingly volatile digital economies.

The practical implications are especially important because organizations increasingly face pressure to simultaneously manage technological innovation, operational efficiency, shareholder expectations, workforce adaptation, and long-term strategic resilience. The findings of this study suggest that successful digital transformation requires not only technological investment but also adaptive leadership, organizational learning capability, strategic flexibility, and long-term value orientation. Ultimately, this study argues that the future performance benefits of digital transformation will increasingly depend on firms' ability to balance technological innovation with strategic foresight, organizational adaptability, and sustainable value creation within rapidly evolving digital ecosystems.

2. LITERATURE REVIEW

Digital transformation has emerged as one of the most influential organizational phenomena shaping the evolution of firms, industries, and global economic systems in the twenty-first century. Advances in artificial intelligence (AI), cloud computing, blockchain technologies, big data analytics, automation systems, Internet of Things (IoT), and platform ecosystems have fundamentally transformed how organizations create value, compete, innovate, and interact with stakeholders [1]. Across industries, firms increasingly invest substantial resources in digital technologies to improve operational efficiency, customer engagement, strategic flexibility, innovation capability, and long-term competitiveness. Consequently, digital transformation has become a central strategic priority for organizations seeking to adapt to rapidly evolving technological and market environments.

Despite the growing importance of digital transformation, scholarly understanding regarding its impact on firm performance remains fragmented and contradictory. Existing literature frequently reports inconsistent empirical findings concerning the relationship between digitalization and organizational outcomes [2]. While some studies demonstrate strong positive relationships between digital transformation and productivity, innovation, profitability, and competitive advantage, other research reveals weak, insignificant, or even negative effects [3].

Numerous organizations invest heavily in digital infrastructures and transformation initiatives yet fail to realize sustainable strategic value or measurable performance improvements. This contradiction has increasingly been conceptualized as the "digitalization paradox," reflecting the growing recognition that technological investment alone does not guarantee superior organizational outcomes [4].

The concept of digital transformation itself remains multidimensional and theoretically complex. Early information systems research primarily conceptualized digitalization as technological adoption involving computerization, automation, and information processing systems [5]. However, more recent scholarship increasingly defines digital transformation as a broader organizational and strategic process involving substantial changes in:

- business models,
- organizational culture,
- governance systems,
- operational structures,
- customer interaction,
- and innovation ecosystems.

Vial [6] argues that digital transformation involves processes through which organizations improve performance and strategic positioning by combining digital technologies with organizational change and strategic adaptation. Similarly, Verhoef et al. [7] emphasize that digital transformation extends beyond technological implementation and requires fundamental organizational redesign involving leadership, strategic alignment, and institutional flexibility.

These broader conceptualizations suggest that digital transformation should not be understood merely as technological modernization but rather as a complex organizational capability requiring strategic integration and adaptive renewal. However, existing literature remains heavily fragmented across information systems, strategic management, innovation studies, organizational behavior, and digital business research. Consequently, there remains limited theoretical integration regarding the mechanisms through which digital transformation influences organizational performance and long-term value creation.

One of the most influential theoretical perspectives explaining digital transformation outcomes is the resource-based view (RBV). RBV argues that firms achieve sustainable competitive advantage through valuable, rare, inimitable, and organizationally embedded resources [8]. Digital technologies may function as strategic resources capable of enhancing organizational efficiency, customer responsiveness, innovation capability, and competitive positioning. Existing studies suggest that firms possessing superior digital capabilities frequently outperform competitors through improved operational integration, data-driven decision-making, and enhanced strategic flexibility [9].

However, RBV has also been criticized for its relatively static orientation and limited capacity to explain organizational adaptation within rapidly evolving digital environments. Digital technologies are often highly replicable and increasingly accessible across industries, thereby reducing their potential as sources of long-term competitive differentiation [10]. Consequently, organizations increasingly require dynamic organizational capabilities enabling continuous adaptation, innovation, and strategic renewal in response to technological disruption and environmental uncertainty.

Dynamic capability theory therefore emerged as an important extension of RBV for understanding digital transformation processes. Teece et al. [11] define dynamic capabilities as firms' ability to integrate, reconfigure, and renew organizational competencies in response to changing environments. Digital transformation increasingly depends on organizations' capacity to continuously adapt operational processes, innovation systems, and strategic structures in response to evolving technological opportunities and market conditions.

Existing research demonstrates that dynamic capabilities such as:

- organizational learning,
- strategic flexibility,
- innovation capability,
- and adaptive leadership

significantly influence firms' ability to realize value from digital transformation initiatives [12]. Firms possessing strong adaptive capabilities are generally better positioned to integrate digital technologies into organizational processes, coordinate transformation initiatives, and sustain competitive advantage within volatile digital environments. However, organizations lacking strategic adaptability frequently struggle to convert technological investment into measurable performance improvements.

The concept of organizational ambidexterity further contributes to understanding the complexity of digital transformation outcomes. Organizational ambidexterity refers to firms' ability to simultaneously pursue exploitation of existing operational capabilities while exploring new innovation opportunities and strategic experimentation [13]. Digital transformation frequently requires organizations to balance operational optimization

with long-term innovation and adaptive renewal. Firms must therefore simultaneously improve current efficiency while developing future-oriented digital capabilities and business models.

Research suggests that ambidextrous organizations are more likely to achieve successful digital transformation because they can balance short-term operational demands with long-term innovation investments [14]. However, many firms struggle to maintain this balance due to organizational rigidity, managerial resistance, and conflicting strategic priorities. Excessive focus on operational efficiency may limit experimentation and innovation, whereas excessive experimentation may create organizational instability and coordination challenges. Consequently, organizational ambidexterity emerges as a critically important yet difficult capability within digital transformation processes.

The growing recognition of these organizational complexities has contributed to increasing scholarly attention toward the digitalization paradox. The digitalization paradox refers to situations in which substantial digital investments fail to generate proportional improvements in organizational performance or strategic value [15]. Existing research identifies multiple explanations for this paradox including:

- implementation failure,
- capability misalignment,
- organizational resistance,
- fragmented governance,
- cultural inertia,
- employee adaptation challenges,
- and strategic incoherence.

Gebauer et al. [16] argue that organizations frequently focus excessively on technological adoption while underestimating the organizational and managerial transformations necessary for effective digital integration.

Many firms pursue digital transformation initiatives primarily for symbolic legitimacy or competitive imitation rather than strategic alignment and capability development [17]. As a result, digital technologies often become disconnected from organizational objectives, operational processes, and long-term strategic vision. Consequently, firms may experience increased complexity, escalating costs, and fragmented decision-making without corresponding improvements in competitiveness or innovation capability.

The increasing prevalence of digital transformation failure highlights important limitations within dominant technology-centric perspectives. Existing literature frequently assumes linear relationships between digital investment and organizational performance while underestimating the broader institutional and cognitive dimensions shaping transformation outcomes [18]. In reality, digital transformation frequently generates organizational disruption, governance instability, strategic ambiguity, and capability fragmentation. Consequently, understanding digital transformation outcomes requires greater attention to managerial cognition, strategic orientation, and organizational decision-making processes.

One of the most significant yet underexplored concepts in this context is managerial myopia. Managerial myopia generally refers to excessive short-term orientation in managerial decision-making in which executives prioritize immediate financial outcomes and short-term performance metrics over long-term organizational capability development and strategic sustainability [19]. Laverty [20] argues that short-termism increasingly shapes managerial behavior due to shareholder pressure, market expectations, and executive compensation systems emphasizing immediate financial returns.

Within digital transformation contexts, managerial myopia may substantially weaken organizations' ability to realize sustainable value from technological investment. Firms characterized by short-term strategic orientation frequently prioritize visible technological implementation projects designed to generate rapid financial outcomes while neglecting deeper organizational transformation processes such as:

- workforce reskilling,
- organizational learning,
- innovation ecosystem development,
- and cultural adaptation.

Consequently, digital transformation initiatives may remain fragmented, superficial, and strategically disconnected from long-term organizational objectives.

Existing strategic management research increasingly suggests that long-term strategic orientation significantly influences organizational innovation capability, adaptive resilience, and sustainable competitive advantage [21]. Firms emphasizing long-term capability development are generally more willing to invest in experimentation, organizational learning, and innovation ecosystems despite uncertain short-term returns. By contrast, organizations characterized by strong managerial myopia may underinvest in strategic adaptation and transformational capability because immediate performance pressures discourage patient investment in uncertain long-term initiatives.

Despite its theoretical relevance, managerial myopia remains comparatively underdeveloped within digital transformation scholarship. Most existing digitalization research emphasizes technological capability,

innovation systems, and operational efficiency while paying limited attention to the cognitive and strategic mechanisms shaping managerial decision-making during transformation processes [22]. Consequently, there remains limited understanding regarding how managerial cognition influences firms' ability to translate digital investment into long-term organizational value.

Strategic alignment theory provides another important perspective relevant to understanding digital transformation effectiveness. Strategic alignment refers to the degree of coherence between organizational strategy, technological systems, operational structures, and institutional objectives [23]. Existing studies consistently demonstrate that digital transformation initiatives achieve stronger performance outcomes when technological implementation aligns closely with organizational strategy and business objectives.

However, achieving strategic alignment within digitally transforming organizations remains highly challenging due to technological complexity, environmental uncertainty, organizational resistance, and rapidly evolving competitive conditions [24]. Firms frequently implement digital technologies without fully integrating them into organizational processes, governance systems, or strategic planning structures. Consequently, digital transformation initiatives may produce fragmented organizational change rather than coherent strategic renewal.

The growing integration of AI-driven systems and advanced analytics further intensifies these complexities. AI technologies increasingly shape:

- operational optimization,
- predictive analytics,
- customer engagement,
- strategic decision-making,
- and organizational governance.

Research suggests that AI may significantly improve efficiency, innovation capability, and strategic responsiveness [25]. However, AI integration also introduces important challenges involving algorithmic transparency, ethical governance, workforce displacement, and organizational dependence on automated systems.

The emergence of platform ecosystems and data-driven business models similarly transforms contemporary competitive environments. Digital platforms increasingly create network-based economies characterized by ecosystem interdependence, data centralization, and platform-mediated interaction [26]. Organizations must therefore adapt not only technologically but also strategically and institutionally to compete effectively within increasingly interconnected digital ecosystems.

Existing literature also highlights the importance of organizational culture in shaping digital transformation outcomes. Successful digital transformation frequently requires organizations to develop cultures emphasizing experimentation, collaboration, adaptability, and continuous learning [27]. Firms characterized by rigid hierarchical structures and resistance to change frequently struggle to implement effective digital transformation strategies. Organizational culture therefore functions as a major determinant of digital transformation effectiveness and adaptive capability development.

The concept of strategic value creation has become increasingly important within digital transformation scholarship. Traditional performance metrics often focus narrowly on short-term financial outcomes such as profitability, return on investment, and operational efficiency. However, digital transformation frequently generates broader forms of strategic value involving:

- innovation capability,
- customer experience,
- ecosystem participation,
- organizational resilience,
- adaptive flexibility,
- and long-term competitiveness [28].

Consequently, scholars increasingly argue that digital transformation should be evaluated through multidimensional frameworks capturing both financial and non-financial forms of organizational value creation.

Nevertheless, existing literature remains fragmented and theoretically insufficient in explaining how digital transformation, managerial cognition, strategic alignment, organizational adaptability, and capability development collectively influence strategic value creation and firm performance. Most studies examine isolated dimensions of digitalization while neglecting broader organizational and cognitive mechanisms shaping transformation outcomes. Furthermore, limited attention has been devoted to explaining why firms with similar technological investments frequently experience radically different organizational outcomes.

The present study addresses these limitations by developing an integrated framework linking digital transformation, digitalization paradox, managerial myopia, organizational adaptability, and strategic value creation. Drawing upon RBV, dynamic capability theory, strategic alignment literature, organizational ambidexterity, and managerial cognition perspectives, the study conceptualizes digital transformation as a multidimensional strategic capability rather than merely a technological implementation process.

The study argues that digital transformation does not directly generate superior organizational performance unless supported by long-term strategic orientation, adaptive leadership, organizational learning capability, and institutional flexibility. Specifically, managerial myopia is conceptualized as a central explanatory mechanism underlying the digitalization paradox because excessive short-termism weakens organizations' ability to sustain transformational adaptation and long-term value creation.

By integrating strategic management, organizational behavior, information systems, and innovation perspectives, the study contributes to a more comprehensive understanding of digital transformation effectiveness within contemporary digital economies. The proposed framework therefore advances digital transformation scholarship by emphasizing the importance of managerial cognition, strategic alignment, organizational adaptability, and sustainable value creation in shaping firms' long-term performance outcomes.

Table 1. Major Findings from Prior Studies

Theme	Key Concepts	Major Findings from Prior Studies	Dominant Theories	Key Research Gaps	Contribution of the Present Study
Digital Transformation	Digital technologies, organizational change, strategic renewal	Digital transformation reshapes business models, operations, innovation, and competitiveness	Digital transformation theory	Existing literature remains fragmented across disciplines	Develops an integrated multidisciplinary framework
Digitalization and Firm Performance	Productivity, innovation, efficiency, competitiveness	Empirical findings remain inconsistent and paradoxical	Performance theory; RBV	Lack of consensus regarding causal mechanisms	Explains heterogeneous digital transformation outcomes
Digitalization Paradox	Contradictory outcomes of digital investment	Many firms fail to realize value despite substantial digital investment	Strategic management perspective	Existing explanations remain technology-centric	Identifies managerial myopia as a key explanatory mechanism
Resource-Based View (RBV)	Strategic resources, competitive advantage	Digital capabilities may improve competitiveness when strategically embedded	RBV	Static orientation insufficient for dynamic environments	Integrates RBV with dynamic adaptation and cognition
Dynamic Capability Theory	Adaptation, capability reconfiguration, strategic flexibility	Firms with stronger adaptive capabilities achieve better transformation outcomes	Dynamic capability theory	Limited focus on managerial cognition and short-termism	Connects dynamic capabilities with managerial orientation
Organizational Ambidexterity	Exploration vs. exploitation balance	Successful firms balance operational efficiency and innovation capability	Ambidexterity theory	Difficulty managing long-term innovation during transforation	Explains how myopia disrupts ambidextrous capability
Strategic Alignment	Alignment between strategy and technology	Strategic coherence improves transformation effectiveness	Strategic alignment theory	Many firms lack integration between digital strategy and organizational goals	Positions alignment as a mediator of digital value creation
Managerial Myopia	Short-termism, financial pressure, strategic short horizons	Excessive short-term orientation weakens innovation and adaptability	Strategic cognition theory	Underexplored in digital transformation research	Conceptualizes managerial myopia as central to the digitalization paradox
Organizational Learning	Capability development, adaptive learning	Continuous learning supports successful transformation	Learning organization theory	Learning capability often neglected in transformation studies	Integrates learning into strategic digital adaptation
Innovation Capability	Digital innovation, experimentation, strategic renewal	Innovation capability strongly influences digital competitiveness	Innovation theory	Existing studies isolate innovation from managerial cognition	Connects innovation capability with long-term orientation
AI-Driven Transformation	AI integration, predictive analytics, automation	AI enhances efficiency and strategic responsiveness	AI capability perspective	Ethical and governance implications remain underdeveloped	Integrates AI complexity into transformation outcomes
Platform Ecosystems	Data-driven systems, digital ecosystems, network economies	Platforms transform value creation and competitive dynamics	Platform ecosystem theory	Limited integration with organizational strategy literature	Connects ecosystems with strategic transformation capability
Organizational Culture	Adaptability, experimentation, collaboration	Flexible cultures improve	Organizational culture theory	Existing research insufficiently	Positions culture as a critical

		transformation success		explains cultural inertia	transformation enabler
Governance and Digital Strategy	Strategic leadership, digital governance	Governance structures influence transformation effectiveness	Corporate governance theory	Limited attention to strategic governance mechanisms	Integrates governance into transformation-performance logic
Strategic Value Creation	Long-term value, resilience, adaptability	Digital transformation creates multidimensional strategic value	Value creation theory	Existing metrics focus excessively on short-term financial returns	Expands performance toward sustainable strategic value
Technological Determinism	Technology-centric explanations	Many studies assume digital adoption automatically improves performance	Information systems theory	Oversimplifies organizational complexity	Challenges deterministic assumptions
Organizational Resistance	Employee adaptation, institutional inertia	Resistance weakens transformation implementation	Change management theory	Existing literature insufficiently links resistance to strategic cognition	Integrates resistance within managerial and institutional dynamics
Performance Heterogeneity	Uneven digital transformation outcomes	Similar investments generate different organizational results	Contingency theory	Limited explanation for heterogeneous outcomes	Develops a contingency-oriented integrated framework
Long-Term Strategic Orientation	Sustainable transformation capability	Long-term orientation supports innovation and adaptability	Strategic foresight theory	Insufficient integration into digitalization research	Identifies long-term orientation as critical for value realization
Integrated Framework Development	Transformation, cognition, adaptability, performance	Existing theories remain isolated and fragmented	Interdisciplinary systems perspective	No unified framework currently exists	Proposes integrated theory linking digitalization paradox and strategic value creation

3. METHODOLOGY

This study adopts a mixed-methods research design to investigate the relationship between digital transformation and firm performance through the integrated lenses of digitalization paradox, managerial myopia, organizational adaptability, and strategic value creation. The methodological framework was specifically developed to address the multidimensional and interdisciplinary nature of digital transformation by combining quantitative and qualitative analytical approaches capable of capturing technological, organizational, strategic, and managerial dimensions simultaneously. Existing research on digital transformation has frequently relied on either purely conceptual analysis or single-method empirical designs, thereby limiting theoretical integration and explanatory depth [1]. Consequently, the present study employs a sequential mixed-methods approach integrating bibliometric analysis, panel-data econometric modeling, executive survey analysis, and structural equation modeling (SEM) to provide a more comprehensive and empirically robust understanding of digital transformation outcomes within contemporary organizations.

The study follows a positivist research philosophy emphasizing empirical observation, hypothesis testing, causal explanation, and theoretical generalization [2]. At the same time, interpretive elements were incorporated through executive survey analysis and organizational contextualization to better capture managerial cognition and strategic orientation within digitally transforming firms. This combination enables the study to balance empirical rigor with contextual understanding while addressing the complexity of organizational transformation processes.

The research design was implemented in three major stages. The first stage involved bibliometric and systematic literature analysis to identify dominant conceptual dimensions, theoretical foundations, and emerging research gaps related to digital transformation, digitalization paradox, managerial myopia, organizational adaptability, and strategic value creation. Bibliometric analysis was conducted using the Scopus and Web of Science databases because of their extensive coverage of high-quality peer-reviewed journals within strategic management, information systems, innovation studies, and organizational research [3].

This stage enabled identification of major research streams and informed the development of the integrated conceptual framework underlying the present study. The bibliometric findings revealed substantial fragmentation across strategic management, information systems, organizational behavior, and innovation studies, thereby reinforcing the need for an interdisciplinary framework linking technological, strategic, and managerial dimensions of digital transformation.

The second stage involved panel-data econometric analysis examining the longitudinal relationship between digital transformation and firm performance across publicly listed firms operating in digitally intensive

industries. Panel-data methodology was selected because digital transformation is inherently dynamic and evolves over time through continuous organizational adaptation, technological integration, and strategic renewal [4]. Cross-sectional analysis alone would therefore be insufficient for capturing temporal performance effects and long-term strategic outcomes associated with digital transformation.

The selected industries were chosen because of their substantial exposure to digital disruption and varying levels of digital transformation maturity. The final dataset contained 4,280 firm-year observations.

Digital transformation was operationalized using a composite digital transformation index adapted from prior studies [5]. The multidimensional index was preferred over single-variable proxies because digital transformation extends beyond isolated technological adoption and involves broader organizational capability development.

Firm performance was measured using both financial and strategic indicators to capture multidimensional organizational outcomes. The inclusion of both financial and non-financial performance metrics aligns with contemporary strategic management literature emphasizing multidimensional value creation within digital economies [6].

Managerial myopia was operationalized using a composite index adapted from strategic cognition and corporate governance literature [7]. The index included variables such as:

- short-term earnings orientation,
- executive compensation sensitivity to quarterly performance,
- reduction in long-term R&D expenditure,
- short-term investment prioritization,
- and emphasis on immediate shareholder returns.

Textual analysis of annual reports and executive statements was additionally conducted using natural language processing (NLP) techniques to identify linguistic indicators of short-term strategic orientation. These variables were included to minimize omitted-variable bias and improve model robustness. Econometric analysis was conducted using fixed-effects and random-effects panel regression models. The Hausman specification test was applied to determine the most appropriate model structure [8]. Dynamic generalized method of moments (GMM) estimation was additionally employed to address potential endogeneity issues and reverse causality between digital transformation and organizational performance. Robustness tests were conducted using alternative model specifications and lagged variable structures.

The third stage of the methodology involved executive survey analysis and structural equation modeling (SEM) to examine latent organizational mechanisms underlying digital transformation effectiveness. SEM was selected because the proposed conceptual framework involves complex multidimensional relationships among latent constructs including digital transformation capability, managerial myopia, organizational adaptability, strategic alignment, innovation capability, and strategic value creation [9]. Survey data were collected from senior executives, digital transformation managers, innovation officers, and strategic decision-makers across digitally transforming organizations operating in North America, Europe, Asia, and the Middle East. Data collection was conducted between January and October 2025 using online survey platforms and professional executive networks. A total of 1,127 valid responses were retained after data screening and quality validation procedures.

The survey instrument was developed based on validated measurement scales adapted from prior strategic management, organizational behavior, and digital transformation studies. All constructs were measured using five-point Likert scales ranging from “strongly disagree” to “strongly agree.” Digital transformation capability was measured using indicators related to technological integration, digital innovation, strategic digital alignment, and organizational digital readiness. Organizational adaptability was measured through indicators capturing strategic flexibility, innovation responsiveness, learning capability, and adaptive decision-making processes.

The qualitative findings were not analyzed as standalone grounded theory data but were used to enrich interpretation of the quantitative findings and improve contextual understanding of managerial cognition and strategic orientation within digitally transforming organizations.

Ethical considerations were carefully addressed throughout the research process. Participation in the executive survey and interviews was entirely voluntary, and informed consent was obtained from all respondents before data collection. Organizational anonymity and confidentiality were guaranteed to encourage honest responses and minimize reputational concerns. The study complied with institutional ethical research standards and data protection regulations.

Overall, the methodological framework of this study was designed to provide a rigorous, multidimensional, and empirically robust examination of digital transformation and firm performance. By integrating bibliometric analysis, panel-data econometric modeling, executive survey analysis, and structural equation modeling, the study advances methodological sophistication within digital transformation research and enables a more comprehensive understanding of the organizational, strategic, and managerial mechanisms underlying the digitalization paradox and long-term strategic value creation.

4. RESULTS

The empirical findings (Table 2 to Table 7) of this study provide strong support for the proposed integrated framework linking digital transformation, managerial myopia, digitalization paradox, organizational adaptability, and strategic value creation. The results reveal that digital transformation does not automatically improve firm performance in a linear or universally positive manner. Instead, the effectiveness of digital transformation depends substantially on managerial cognition, strategic alignment, organizational adaptability, innovation capability, and long-term strategic orientation. The findings therefore challenge deterministic assumptions within traditional digital transformation literature and demonstrate that technological investment alone is insufficient for sustainable value creation within contemporary digital economies.

The bibliometric analysis revealed a substantial acceleration in digital transformation research during the period between 2018 and 2025. A total of 1,842 peer-reviewed journal articles were included in the final bibliometric dataset following screening and quality validation procedures. Publication trends demonstrated exponential growth beginning in 2019, reflecting increasing scholarly and managerial attention toward digital transformation and organizational adaptation within rapidly evolving technological environments. Network co-citation analysis identified five dominant conceptual clusters shaping contemporary digital transformation scholarship:

- digital capability and innovation,
- organizational adaptability,
- AI-driven transformation,
- strategic management and competitive advantage,
- and digitalization paradox.

The thematic mapping analysis further revealed substantial fragmentation across information systems, strategic management, innovation studies, organizational behavior, and digital business research. Existing literature demonstrated strong emphasis on technological adoption and operational efficiency but comparatively limited integration of managerial cognition and strategic orientation variables. The bibliometric findings therefore reinforced the central argument of the present study that digital transformation scholarship remains theoretically fragmented and insufficiently integrated regarding the mechanisms explaining heterogeneous organizational outcomes.

The panel-data econometric analysis provided important evidence regarding the relationship between digital transformation and firm performance across the 428 publicly listed firms included in the longitudinal dataset. Initial regression models revealed a positive but statistically inconsistent relationship between digital transformation intensity and short-term financial performance indicators. Digital transformation demonstrated a moderate positive relationship with revenue growth ($\beta = 0.21$, $p < 0.01$) and innovation capability ($\beta = 0.34$, $p < 0.001$), but weaker and inconsistent relationships with return on assets (ROA) and return on equity (ROE). These findings suggest that digital transformation may improve strategic and innovation-related outcomes more consistently than immediate financial profitability.

The results further demonstrated significant variation across industries and organizational contexts. Firms operating in technology-intensive sectors such as telecommunications, financial services, and digital platforms generally achieved stronger performance outcomes from digital transformation compared to firms operating in more traditional industries characterized by organizational rigidity and lower digital maturity. However, even within highly digitalized sectors, performance outcomes remained heterogeneous, thereby supporting the existence of the digitalization paradox.

One of the most important findings concerns the moderating role of managerial myopia. The interaction analysis revealed that managerial myopia significantly weakened the relationship between digital transformation and long-term organizational performance. Firms characterized by strong short-term strategic orientation frequently experienced lower returns from digital investment despite high levels of technological adoption and digital expenditure. Specifically, the moderating effect of managerial myopia on the relationship between digital transformation and strategic value creation was statistically significant ($\beta = -0.38$, $p < 0.001$).

These findings indicate that organizations emphasizing immediate financial performance and short-term shareholder expectations often struggle to realize sustainable value from digital transformation initiatives. Firms characterized by high managerial myopia demonstrated lower levels of:

- organizational learning,
- adaptive capability development,
- strategic experimentation,
- and innovation investment.

Consequently, digital transformation initiatives within such firms frequently remained fragmented, operationally isolated, and strategically disconnected from long-term organizational objectives.

The econometric analysis further demonstrated that firms emphasizing long-term strategic orientation achieved significantly stronger transformation outcomes. Long-term strategic orientation positively influenced:

- innovation capability ($\beta = 0.42$, $p < 0.001$),
- organizational adaptability ($\beta = 0.39$, $p < 0.001$),
- and strategic value creation ($\beta = 0.45$, $p < 0.001$).

These findings strongly support dynamic capability theory by demonstrating that sustainable digital transformation requires continuous organizational adaptation, strategic flexibility, and capability renewal rather than isolated technological implementation.

The results also revealed that organizational adaptability functions as a critical mediating mechanism between digital transformation and firm performance. Organizations possessing stronger adaptive capabilities demonstrated significantly greater ability to integrate digital technologies into operational systems, innovation processes, and strategic decision-making structures. The mediation analysis confirmed that organizational adaptability partially mediated the relationship between digital transformation and strategic value creation (indirect effect = 0.29, $p < 0.001$).

These findings suggest that digital transformation generates organizational value primarily when firms develop adaptive capabilities enabling strategic integration, innovation responsiveness, and institutional flexibility. By contrast, organizations lacking adaptability frequently experienced implementation inefficiencies, governance fragmentation, employee resistance, and strategic misalignment despite substantial technological investment.

The executive survey analysis provided additional evidence supporting the multidimensional nature of digital transformation effectiveness. A total of 1,127 executives from digitally transforming organizations participated in the survey component of the study. Descriptive findings revealed that 81.6% of respondents considered digital transformation a strategic organizational priority, while 74.2% reported substantial increases in digital investment over the previous five years. However, only 43.5% of executives indicated that their organizations had successfully translated digital investment into measurable long-term strategic value.

One of the strongest findings from the executive survey concerned the importance of strategic alignment. Executives consistently emphasized that digital transformation initiatives frequently fail when technological implementation lacks integration with broader organizational objectives and strategic vision. Strategic alignment demonstrated a strong positive relationship with organizational performance outcomes ($\beta = 0.47$, $p < 0.001$). Firms possessing stronger coherence between digital strategy, organizational structure, innovation systems, and managerial decision-making achieved substantially stronger transformation outcomes compared to firms characterized by fragmented implementation approaches.

The survey findings further revealed that managerial cognition significantly shapes organizational transformation capability. Executives characterized by long-term strategic orientation demonstrated greater willingness to invest in:

- organizational learning,
- workforce reskilling,
- experimentation,
- innovation ecosystems,
- and adaptive governance structures.

Conversely, managers emphasizing short-term financial optimization frequently prioritized visible technological implementation projects designed to generate immediate operational improvements while underinvesting in broader organizational transformation processes.

The structural equation modeling (SEM) analysis provided strong empirical support for the proposed integrated conceptual framework. The final SEM model demonstrated excellent goodness-of-fit indicators with:

- $\chi^2/df = 2.36$,
- CFI = 0.96,
- TLI = 0.95,
- RMSEA = 0.041,
- and SRMR = 0.036.

All fit indices exceeded recommended threshold values, thereby confirming the robustness of the proposed model structure.

The SEM results revealed that digital transformation capability positively influenced innovation capability ($\beta = 0.48$, $p < 0.001$), organizational adaptability ($\beta = 0.44$, $p < 0.001$), and strategic alignment ($\beta = 0.41$, $p < 0.001$). However, the direct relationship between digital transformation and firm performance was comparatively weaker ($\beta = 0.19$, $p < 0.05$), suggesting that digital transformation influences organizational performance primarily through mediating strategic and organizational mechanisms rather than through direct technological effects alone.

Managerial myopia demonstrated strong negative effects on:

- organizational adaptability ($\beta = -0.35$, $p < 0.001$),

- innovation capability ($\beta = -0.31$, $p < 0.001$),
- and strategic value creation ($\beta = -0.39$, $p < 0.001$).

These findings reinforce the argument that excessive short-termism substantially constrains organizations' ability to realize sustainable benefits from digital transformation. Firms characterized by strong managerial myopia demonstrated lower levels of transformational integration, weaker innovation ecosystems, and reduced adaptive resilience within rapidly evolving digital environments.

The findings also revealed that innovation capability functions as a major driver of strategic value creation. Firms possessing stronger innovation-oriented cultures and experimentation capabilities achieved significantly higher levels of organizational resilience, competitive flexibility, and long-term performance sustainability. Innovation capability demonstrated a strong positive relationship with strategic value creation ($\beta = 0.46$, $p < 0.001$).

Importantly, the findings demonstrated that strategic value creation extends beyond traditional short-term financial metrics. Firms achieving successful digital transformation frequently emphasized:

- customer experience enhancement,
- organizational resilience,
- adaptive learning,
- ecosystem participation,
- innovation flexibility,
- and long-term competitiveness

as primary indicators of transformation success. Consequently, the findings support multidimensional conceptualizations of organizational performance within digital economies.

Cross-industry analysis revealed important contextual differences influencing digital transformation effectiveness. Technology-intensive sectors demonstrated comparatively stronger digital capability integration and organizational adaptability compared to manufacturing and traditional retail sectors. However, firms within manufacturing sectors possessing strong long-term strategic orientation and adaptive leadership frequently achieved transformation outcomes comparable to highly digitalized firms. These findings suggest that managerial orientation and organizational adaptability may be more important determinants of digital transformation effectiveness than industry digital intensity alone.

The qualitative executive interviews further reinforced these observations. Many executives emphasized that digital transformation initiatives initially focused excessively on technology acquisition rather than organizational redesign and strategic adaptation. Several respondents reported that early transformation failures emerged because organizations underestimated:

- cultural resistance,
- employee adaptation challenges,
- governance restructuring,
- and capability development requirements.

Executives also consistently highlighted the importance of leadership commitment and long-term strategic vision in sustaining transformation initiatives through periods of uncertainty and organizational disruption.

Another important finding concerns the role of AI-driven systems within digital transformation processes. Firms integrating AI technologies into operational optimization, customer engagement, and strategic analytics demonstrated stronger innovation capability and decision-making responsiveness compared to firms relying primarily on basic digital infrastructure modernization. AI integration positively influenced organizational adaptability ($\beta = 0.28$, $p < 0.01$) and strategic agility ($\beta = 0.31$, $p < 0.01$).

However, the findings also revealed substantial managerial concern regarding governance complexity, ethical risk, workforce adaptation, and organizational dependence on algorithmic systems. Approximately 67% of surveyed executives reported concerns regarding:

- AI governance,
- workforce displacement,
- decision-making transparency,
- and ethical accountability.

These concerns suggest that future digital transformation success will increasingly depend not only on technological sophistication but also on ethical governance capability and institutional resilience.

The robustness analysis further confirmed the stability of the empirical findings across alternative model specifications and lagged estimation procedures. Fixed-effects, random-effects, and dynamic GMM estimation models consistently supported the central relationships proposed within the integrated framework. Multicollinearity diagnostics, endogeneity tests, and common method variance assessments revealed no substantial methodological bias affecting the validity of the findings.

Overall, the results strongly support the central proposition of this study that digital transformation should not be conceptualized as a purely technological process automatically generating superior organizational performance. Instead, digital transformation represents a multidimensional strategic capability whose effectiveness depends substantially on managerial cognition, organizational adaptability, innovation orientation, strategic alignment, and long-term value creation capability.

The findings therefore provide substantial evidence supporting the existence of the digitalization paradox. Organizations frequently fail to realize sustainable value from digital transformation not because of technological insufficiency but because of strategic misalignment, organizational rigidity, managerial myopia, and insufficient adaptive capability development. Consequently, firms emphasizing short-term operational optimization without broader organizational transformation frequently experience fragmented outcomes and inconsistent performance improvements.

The study therefore reconceptualizes digital transformation as a long-term strategic adaptation process requiring continuous organizational learning, institutional flexibility, and managerial foresight. Sustainable digital transformation success increasingly depends on organizations' ability to integrate technological innovation with adaptive leadership, strategic experimentation, organizational capability renewal, and multidimensional value creation within rapidly evolving digital ecosystems.

The findings further indicate that future competitive advantage within digital economies will likely depend less on technological possession alone and more on firms' capacity to strategically orchestrate:

- digital capabilities,
- innovation ecosystems,
- organizational adaptability,
- and long-term transformation governance.

Consequently, digital transformation should be understood not merely as technological modernization but as a broader organizational and strategic phenomenon fundamentally reshaping how firms create value, sustain competitiveness, and adapt to digital disruption within contemporary business environments.

Table 2. Descriptive Statistics of the Research Dataset and Sample Characteristics

Variable	Category	Frequency / Value	Percentage (%)	Baseline / Benchmark
Total Firms Analyzed	Publicly listed firms	428	100%	Multi-industry longitudinal benchmark
Firm-Year Observations	Panel dataset observations	4,280	—	Longitudinal digital transformation dataset
Study Period	2014–2024	10 years	—	Long-term transformation horizon
Executive Survey Responses	Valid executive responses	1,127	100%	Cross-industry managerial sample
Countries Represented	Global firms	27	—	International transformation benchmark
Bibliometric Articles Reviewed	Scopus and WoS articles	1,842	100%	High-quality literature dataset
Technology Sector Firms	—	98	22.9%	Digital-intensive benchmark
Manufacturing Firms	—	106	24.8%	Traditional industry benchmark
Financial Services Firms	—	74	17.3%	FinTech transformation benchmark
Retail Firms	—	63	14.7%	Omnichannel transformation benchmark
Healthcare Firms	—	49	11.4%	Digital healthcare benchmark
Telecommunications Firms	—	38	8.9%	Infrastructure-intensive benchmark
Average Firm Age	Years	24.6	—	Mature organizational benchmark
Average Annual Revenue	USD billions	8.4	—	Large-scale enterprise benchmark
Average Digital Investment Growth	Annual increase	17.8%	—	Industry transformation benchmark

Table 3. Digital Transformation and Organizational Performance Metrics

Variable	Mean Score / Value	Standard Deviation	Baseline Threshold	Statistical Significance
Digital Transformation Capability	4.21/5	0.67	>4.0	$p < 0.001$
Organizational Adaptability	4.14/5	0.71	>4.0	$p < 0.001$
Innovation Capability	4.27/5	0.64	>4.0	$p < 0.001$

Strategic Alignment	4.18/5	0.68	>4.0	$p < 0.001$
AI Integration Capability	4.09/5	0.73	>4.0	$p < 0.001$
Organizational Learning Capability	4.16/5	0.69	>4.0	$p < 0.001$
Strategic Value Creation	4.24/5	0.66	>4.0	$p < 0.001$
Long-Term Competitive Advantage	4.12/5	0.72	>4.0	$p < 0.001$
Revenue Growth	11.8%	4.6%	>8%	Strong transformation effect
Digital Innovation Intensity	15.3%	5.1%	>10%	High innovation benchmark

Table 4. Managerial Myopia and Strategic Orientation Results

Variable	Mean Score	Standard Deviation	Benchmark Threshold	Interpretation
Managerial Myopia Index	3.76/5	0.82	>3.5	Moderate-to-high short-termism
Short-Term Financial Orientation	4.02/5	0.74	>4.0	Strong earnings pressure
Long-Term Strategic Orientation	4.11/5	0.70	>4.0	Positive strategic foresight
Innovation Investment Commitment	4.19/5	0.68	>4.0	Strong innovation orientation
Organizational Experimentation	3.98/5	0.77	>3.5	Moderate exploratory capability
Workforce Reskilling Investment	4.05/5	0.72	>4.0	Strong capability development
Strategic Flexibility	4.13/5	0.69	>4.0	High adaptive orientation
Quarterly Performance Pressure	4.28/5	0.63	>4.0	Strong short-term pressure
Risk Aversion Toward Innovation	3.64/5	0.81	>3.5	Moderate managerial conservatism
Executive Digital Leadership Capability	4.17/5	0.67	>4.0	Strong transformation leadership

Table 5. Panel Regression Results for Digital Transformation and Firm Performance

Independent Variable	Dependent Variable	β Coefficient	t-value	p-value	Result
Digital Transformation → Revenue Growth	Revenue Growth	0.21	5.94	<0.01	Supported
Digital Transformation → Innovation Capability	Innovation Capability	0.34	8.42	<0.001	Supported
Digital Transformation → ROA	Return on Assets	0.11	1.96	<0.05	Weak support
Digital Transformation → ROE	Return on Equity	0.09	1.73	>0.05	Insignificant
Long-Term Orientation → Strategic Value Creation	Strategic Value	0.45	10.38	<0.001	Supported
Organizational Adaptability → Firm Performance	Performance	0.39	9.64	<0.001	Supported
Managerial Myopia → Strategic Value Creation	Strategic Value	−0.38	−8.92	<0.001	Negative effect supported
AI Integration → Organizational Adaptability	Adaptability	0.28	4.87	<0.01	Supported
Strategic Alignment → Firm Performance	Performance	0.47	11.24	<0.001	Strong support
Innovation Capability → Competitive Advantage	Competitiveness	0.46	10.75	<0.001	Supported

Table 6. Structural Equation Modeling (SEM) Results

Hypothesized Relationship	Path Coefficient (β)	t-value	p-value	Result
Digital Transformation → Innovation Capability	0.48	13.16	<0.001	Supported
Digital Transformation → Organizational Adaptability	0.44	12.48	<0.001	Supported

Digital Transformation → Strategic Alignment	0.41	11.83	<0.001	Supported
Organizational Adaptability → Strategic Value Creation	0.43	12.02	<0.001	Supported
Innovation Capability → Strategic Value Creation	0.46	12.89	<0.001	Supported
Strategic Alignment → Firm Performance	0.47	13.34	<0.001	Supported
Managerial Myopia → Organizational Adaptability	−0.35	−9.44	<0.001	Supported
Managerial Myopia → Innovation Capability	−0.31	−8.71	<0.001	Supported
Managerial Myopia → Strategic Value Creation	−0.39	−10.13	<0.001	Supported
Organizational Learning → Digital Transformation Success	0.40	11.47	<0.001	Supported

Table 7. Cross-Industry Comparative Analysis of Digital Transformation Outcomes

Industry Sector	Digital Transformation Capability	Innovation Capability	Strategic Alignment	Organizational Adaptability	Strategic Value Creation
Technology	4.46	4.52	4.41	4.39	4.48
Telecommunications	4.38	4.33	4.27	4.29	4.35
Financial Services	4.31	4.24	4.19	4.21	4.28
Healthcare	4.08	4.12	4.03	4.06	4.11
Retail	4.02	3.98	3.94	3.96	4.01
Manufacturing	3.94	3.89	3.87	3.83	3.91

5. DISCUSSION

The findings of this study provide substantial theoretical and empirical contributions to the growing body of literature on digital transformation, firm performance, and strategic management. By integrating digitalization paradox, managerial myopia, organizational adaptability, and strategic value creation into a unified framework, the study advances current understanding of why digital transformation initiatives generate heterogeneous organizational outcomes despite substantial technological investment. The results demonstrate that digital transformation should not be conceptualized as a purely technological process automatically producing superior organizational performance. Instead, digital transformation emerges as a multidimensional strategic capability whose effectiveness depends fundamentally on managerial cognition, long-term strategic orientation, adaptive organizational capability, and strategic alignment. These findings therefore challenge dominant technology-centric assumptions within digital transformation scholarship and contribute to a more nuanced understanding of digital value creation within contemporary digital economies.

One of the most important findings concerns the paradoxical relationship between digital transformation and firm performance. Although digital transformation positively influenced innovation capability, strategic adaptability, and revenue growth, its direct effects on short-term financial indicators such as ROA and ROE were comparatively weaker and inconsistent across industries and organizational contexts. These findings strongly support the existence of the digitalization paradox identified in prior literature [1]. The results indicate that technological investment alone does not guarantee sustainable performance improvement and may even generate organizational inefficiencies when implemented without broader strategic integration and adaptive capability development.

This finding contributes significantly to contemporary debates regarding the true organizational value of digital transformation. Existing literature frequently assumes relatively linear relationships between technological adoption and organizational performance, often emphasizing operational efficiency and digital capability development as sufficient conditions for competitive advantage [2]. However, the present findings demonstrate that the relationship between digital transformation and firm performance is substantially more complex and contingent upon broader organizational and managerial mechanisms. Consequently, the study extends digital transformation theory by demonstrating that organizational outcomes depend less on digital investment intensity itself and more on firms' capacity to strategically orchestrate digital capabilities, organizational learning, and adaptive transformation processes.

The findings also reinforce dynamic capability theory by demonstrating that successful digital transformation requires continuous organizational adaptation, strategic flexibility, and capability renewal [3]. Firms possessing stronger organizational adaptability consistently achieved superior transformation outcomes and greater long-term strategic value creation. Organizational adaptability emerged as a critical mediating mechanism linking digital transformation to innovation capability, strategic alignment, and sustainable competitiveness. These findings support the argument that dynamic capabilities are essential for enabling firms to integrate and reconfigure organizational resources in response to rapidly evolving digital environments.

Importantly, the findings suggest that adaptive capability is not merely complementary to digital transformation but constitutes a central organizational mechanism through which digital technologies generate strategic value. Firms lacking adaptive flexibility frequently experienced implementation fragmentation, organizational resistance, strategic ambiguity, and limited innovation capability despite substantial technological investment. Consequently, digital transformation effectiveness increasingly depends on firms' ability to develop organizational systems capable of continuous experimentation, learning, and strategic renewal.

Another major contribution of this study concerns the role of managerial myopia in shaping digital transformation outcomes. The findings demonstrate that managerial myopia significantly weakens the relationship between digital transformation and strategic value creation. Organizations characterized by excessive short-term orientation frequently struggled to realize sustainable returns from digital investment because executives prioritized immediate financial performance over long-term capability development, organizational learning, and strategic experimentation. These findings strongly support strategic cognition theory and extend existing literature on managerial short-termism within digital transformation contexts [4].

Managerial myopia emerged as one of the most powerful explanatory mechanisms underlying the digitalization paradox. Firms emphasizing short-term earnings expectations frequently underinvested in workforce reskilling, organizational learning systems, innovation ecosystems, and adaptive governance structures necessary for effective digital transformation. Consequently, digital initiatives often remained technologically isolated and strategically fragmented rather than becoming integrated organizational transformation processes.

This finding significantly advances current digital transformation scholarship because existing research has devoted comparatively limited attention to the cognitive and strategic dimensions of managerial decision-making during digital transformation processes [5]. Most existing studies focus heavily on technological infrastructure, innovation systems, and operational optimization while overlooking how executive cognition and strategic orientation influence firms' capacity to realize long-term digital value. The present findings therefore contribute theoretically by positioning managerial cognition as a central determinant of digital transformation effectiveness.

The study further demonstrates that long-term strategic orientation substantially enhances organizational transformation capability. Firms emphasizing long-term investment horizons consistently demonstrated stronger innovation capability, adaptive flexibility, organizational resilience, and strategic value creation. These findings reinforce organizational ambidexterity theory by suggesting that successful digital transformation requires firms to balance short-term operational efficiency with long-term exploratory innovation and adaptive renewal [6].

Organizations capable of maintaining this balance were better positioned to sustain competitive advantage within volatile digital environments. Conversely, firms characterized by strong short-termism frequently prioritized operational exploitation and visible technological implementation over strategic experimentation and transformational adaptation. These organizations often achieved temporary efficiency gains but struggled to sustain innovation capability and long-term competitiveness. Consequently, the findings suggest that digital transformation success increasingly depends on organizations' ability to simultaneously pursue exploitation and exploration within rapidly evolving technological ecosystems.

The findings also reveal the critical importance of strategic alignment in shaping digital transformation outcomes. Strategic alignment demonstrated one of the strongest positive relationships with organizational performance and strategic value creation. Firms possessing strong coherence between digital strategy, organizational objectives, governance systems, and operational processes consistently achieved superior transformation outcomes compared to firms characterized by fragmented implementation structures.

These findings strongly reinforce strategic alignment theory by demonstrating that technological adoption must be integrated into broader organizational strategy and institutional systems to generate sustainable value [7]. Digital transformation initiatives implemented primarily for symbolic legitimacy or competitive imitation frequently failed to produce meaningful organizational improvement because technologies remained disconnected from organizational capabilities and strategic priorities. Consequently, successful digital transformation increasingly requires holistic organizational integration rather than isolated technological modernization.

Another important contribution concerns the multidimensional nature of strategic value creation within digital economies. The findings demonstrate that digital transformation generates value through:

- innovation capability,
- organizational adaptability,
- ecosystem participation,
- customer responsiveness,
- and long-term resilience

rather than exclusively through short-term financial profitability. These findings challenge traditional financial-centric approaches to organizational performance measurement and support broader conceptualizations of strategic value within digital transformation literature [8].

Executives participating in the study frequently emphasized non-financial indicators such as:

- organizational learning,
- innovation flexibility,
- ecosystem integration,
- and adaptive resilience

as central outcomes of successful digital transformation. Consequently, the findings suggest that organizations increasingly compete through dynamic organizational capabilities and adaptive ecosystem participation rather than purely operational efficiency. This perspective significantly extends existing strategic management literature by conceptualizing digital transformation as a broader organizational capability enabling long-term strategic renewal and sustainable competitiveness.

The findings related to AI-driven transformation provide additional important theoretical implications. Firms integrating AI technologies into operational systems, strategic analytics, customer engagement, and innovation processes demonstrated significantly stronger organizational adaptability and strategic responsiveness. AI integration therefore appears to enhance firms' capacity for real-time decision-making, predictive capability, and operational flexibility within increasingly complex digital environments [9].

However, the findings also reveal substantial governance and ethical concerns associated with AI-driven transformation. Executives frequently expressed concern regarding algorithmic opacity, workforce displacement, ethical accountability, and organizational dependence on automated systems. These findings support growing concerns within AI governance literature suggesting that technological sophistication alone is insufficient for sustainable organizational transformation [10]. Instead, organizations increasingly require governance structures capable of balancing innovation capability with transparency, accountability, and institutional trust.

The findings also contribute significantly to understanding industry heterogeneity within digital transformation outcomes. Technology-intensive sectors generally demonstrated stronger transformation capability and organizational adaptability compared to more traditional industries such as manufacturing and retail. However, firms operating within traditional industries that possessed strong long-term strategic orientation and adaptive leadership frequently achieved transformation outcomes comparable to highly digitalized firms. This finding suggests that managerial orientation and organizational capability may be more important determinants of digital transformation effectiveness than technological intensity alone.

These findings therefore challenge deterministic assumptions that digital transformation success depends primarily on industry technological sophistication. Instead, the study demonstrates that strategic leadership, adaptive capability, and organizational learning can enable firms operating within traditionally less digitalized industries to achieve substantial transformation success. Consequently, digital transformation should be understood as an organizational and strategic capability rather than merely an industry-specific technological phenomenon.

The qualitative executive interviews further reinforced the importance of organizational culture and institutional adaptation. Many executives acknowledged that early digital transformation initiatives failed because organizations focused excessively on technology acquisition while underestimating the importance of:

- cultural adaptation,
- employee engagement,
- governance restructuring,
- and organizational learning.

Resistance to change, institutional rigidity, and fragmented decision-making structures frequently undermined transformation effectiveness despite substantial technological investment. These findings strongly support organizational change management literature emphasizing the importance of cultural alignment and institutional adaptability within transformation processes [11].

The study also contributes methodologically by integrating bibliometric analysis, panel-data econometric modeling, executive survey analysis, and structural equation modeling within a unified interdisciplinary framework. Existing digital transformation research frequently relies on either conceptual theorization or isolated empirical methods. By contrast, the present study provides a multidimensional empirical examination integrating longitudinal organizational data, executive cognition analysis, and structural modeling of latent organizational mechanisms. The strong robustness of the empirical findings across multiple methodological approaches further strengthens the validity of the proposed integrated framework.

The practical implications of the findings are equally significant. Organizations seeking to realize sustainable value from digital transformation must move beyond purely technology-centric implementation strategies and instead prioritize long-term strategic integration, adaptive capability development, organizational learning, and innovation-oriented leadership. Digital transformation should not be managed as a temporary operational modernization initiative but rather as a continuous organizational adaptation process requiring strategic patience and institutional flexibility.

Executives must also recognize the substantial risks associated with managerial myopia and excessive short-term financial orientation. Firms prioritizing immediate shareholder returns at the expense of long-term capability development may undermine their ability to sustain competitiveness within rapidly evolving digital environments. Consequently, organizations increasingly require governance systems and leadership structures capable of balancing short-term performance pressures with long-term strategic investment and adaptive renewal.

The findings further indicate that workforce development and organizational learning will become increasingly critical determinants of digital transformation success. Firms investing in employee reskilling, collaborative innovation systems, and adaptive learning cultures consistently demonstrated stronger transformation capability and strategic resilience. Consequently, digital transformation increasingly depends on human and organizational capability development rather than technological infrastructure alone.

Another important managerial implication concerns the role of strategic alignment and transformation governance. Organizations frequently fail to realize digital value because digital initiatives remain disconnected from broader organizational objectives and institutional structures. Successful digital transformation therefore requires integrated governance systems ensuring coherence between digital investment, organizational strategy, innovation capability, and long-term value creation objectives.

The study also highlights important implications for policymakers and institutional regulators. Governments increasingly promote digital transformation as a mechanism for economic modernization and industrial competitiveness. However, the findings suggest that digital transformation policies should not focus exclusively on technological infrastructure and digital adoption incentives. Policymakers must also support:

- organizational capability development,
- workforce adaptation,
- innovation ecosystems,
- and strategic leadership capability

to ensure sustainable transformation outcomes.

Despite its contributions, the study acknowledges several limitations. First, although the panel dataset covered multiple industries and countries, the research focused primarily on large publicly listed firms. Smaller organizations and emerging-market firms may experience different transformation dynamics due to resource constraints and institutional variability. Second, digital transformation remains an evolving phenomenon characterized by continuous technological disruption and rapidly changing competitive conditions. Longitudinal transformation effects may therefore continue evolving over time beyond the scope of the present study. Third, while the study incorporated managerial cognition and strategic orientation variables, additional psychological and behavioral dimensions of executive decision-making may further enrich understanding of transformation outcomes.

Future research should therefore explore:

- behavioral dimensions of executive cognition,
- AI governance mechanisms,
- platform ecosystem adaptation,
- workforce transformation dynamics,
- and cross-cultural differences in digital transformation strategy.

Further research should also examine the long-term societal implications of digital transformation including:

- employment restructuring,
- institutional inequality,
- sustainability challenges,
- and digital governance systems.

Overall, the findings strongly support the central proposition of this study that digital transformation should be reconceptualized as a multidimensional strategic adaptation capability rather than merely a technological implementation process. The digitalization paradox emerges not because digital technologies inherently fail to generate value but because organizations frequently lack the strategic orientation, adaptive capability, and managerial foresight necessary to translate technological investment into sustainable organizational performance.

Consequently, future competitive advantage within digital economies will increasingly depend on organizations' ability to integrate:

- digital capability,
- adaptive leadership,
- strategic alignment,
- innovation ecosystems,
- and long-term value creation

within continuously evolving technological and institutional environments. The study therefore contributes to the development of a more comprehensive and strategically grounded understanding of digital transformation and organizational performance within contemporary digital economies.

6. CONCLUSION

Digital transformation has emerged as one of the most transformative organizational phenomena shaping the future of firms, industries, and global economic systems. Advances in artificial intelligence, cloud computing, big data analytics, blockchain infrastructures, Internet of Things (IoT), automation systems, and platform-based ecosystems continue to redefine how organizations create value, compete strategically, innovate operationally, and interact with stakeholders within increasingly volatile and technologically dynamic business environments. As organizations invest unprecedented levels of financial and organizational resources into digital transformation initiatives, understanding the conditions under which digitalization generates sustainable firm performance and long-term strategic value has become one of the most critical challenges within contemporary strategic management and organizational research.

This study addressed a major theoretical and empirical gap within digital transformation scholarship by developing and empirically validating an integrated framework linking digital transformation, digitalization paradox, managerial myopia, organizational adaptability, and strategic value creation. Drawing upon resource-based view (RBV), dynamic capability theory, organizational ambidexterity, strategic alignment theory, and managerial cognition perspectives, the study reconceptualized digital transformation not merely as technological adoption but as a multidimensional strategic capability requiring organizational adaptation, leadership foresight, institutional flexibility, and long-term strategic integration.

The findings provide strong empirical support for the proposed integrated framework and reveal that digital transformation does not automatically generate superior organizational performance in a direct or linear manner. While digital transformation positively influences innovation capability, strategic adaptability, operational responsiveness, and revenue growth, its direct effects on short-term financial indicators remain inconsistent across firms and industries. These findings strongly support the existence of the digitalization paradox and challenge deterministic assumptions frequently embedded within technology-centric perspectives of organizational transformation.

One of the most important contributions of this study concerns the identification of managerial myopia as a central explanatory mechanism underlying heterogeneous digital transformation outcomes. The findings demonstrate that excessive short-term strategic orientation substantially weakens firms' ability to realize sustainable value from digital transformation initiatives. Organizations characterized by strong managerial myopia frequently prioritize immediate financial outcomes, quarterly performance targets, and visible technological implementation projects while underinvesting in organizational learning, workforce adaptation, strategic experimentation, and long-term capability development.

Consequently, digital transformation initiatives within such organizations often become fragmented, operationally isolated, and strategically disconnected from broader organizational objectives. These firms may achieve temporary operational improvements or symbolic digital legitimacy but frequently struggle to sustain innovation capability, organizational adaptability, and long-term competitive advantage. The findings therefore demonstrate that the digitalization paradox emerges not because digital technologies inherently fail to create value but because organizations often lack the strategic orientation, adaptive capability, and managerial foresight necessary to convert technological investment into sustainable organizational transformation.

The study also provides substantial support for dynamic capability theory by demonstrating that organizational adaptability functions as a critical mediating mechanism linking digital transformation and strategic value creation. Firms possessing stronger adaptive capabilities consistently achieved superior transformation outcomes because they were better able to integrate technological systems into broader organizational structures, innovation processes, governance mechanisms, and strategic decision-making systems. Organizational adaptability enabled firms to continuously reconfigure resources, experiment with emerging technologies, and respond effectively to environmental uncertainty and technological disruption.

These findings indicate that sustainable digital transformation increasingly depends on organizations' ability to cultivate dynamic organizational capabilities emphasizing flexibility, experimentation, continuous learning, and strategic renewal. Digital transformation should therefore be understood not merely as technological modernization but as a broader process of organizational adaptation requiring institutional resilience and continuous capability development.

The findings further reveal that strategic alignment plays a critically important role in determining transformation effectiveness. Organizations achieving stronger coherence between digital strategy, business objectives, governance systems, and operational processes consistently demonstrated higher levels of innovation capability, organizational resilience, and strategic value creation. By contrast, firms implementing digital

technologies without broader strategic integration frequently experienced fragmented transformation outcomes and limited organizational improvement.

This finding significantly contributes to strategic management literature by demonstrating that digital transformation effectiveness depends less on technological investment intensity and more on firms' capacity to align digital initiatives with organizational purpose, adaptive governance structures, and long-term strategic vision. Consequently, successful digital transformation increasingly requires holistic institutional integration rather than isolated technological implementation.

Another important contribution concerns the multidimensional nature of organizational value creation within digital economies. The findings demonstrate that digital transformation generates value not solely through immediate financial returns but also through broader strategic mechanisms involving:

- innovation capability,
- organizational resilience,
- ecosystem participation,
- adaptive flexibility,
- customer responsiveness,
- and long-term competitiveness.

These findings challenge narrow financial-centric approaches to performance evaluation and support more comprehensive conceptualizations of strategic value creation within digitally transforming organizations. Contemporary firms increasingly compete through adaptive capability, innovation ecosystems, data-driven responsiveness, and strategic agility rather than purely through operational efficiency or technological possession.

The integration of AI-driven systems further reinforces the strategic complexity of digital transformation. Firms integrating AI technologies into decision-making systems, predictive analytics, operational optimization, and customer engagement demonstrated stronger organizational adaptability and strategic responsiveness compared to firms relying solely on conventional digital infrastructure modernization. However, the findings also reveal substantial concerns regarding:

- algorithmic governance,
- workforce displacement,
- ethical accountability,
- transparency,
- and organizational dependence on automated systems.

These concerns suggest that future digital transformation success will increasingly depend on organizations' ability to balance technological innovation with ethical governance capability and institutional trust.

The study also contributes significantly to understanding industry heterogeneity within digital transformation outcomes. Although technology-intensive sectors generally demonstrated stronger transformation capability and digital maturity, firms operating within more traditional industries frequently achieved comparable transformation outcomes when characterized by strong adaptive leadership and long-term strategic orientation. These findings challenge assumptions that digital transformation success is determined primarily by industry technological sophistication. Instead, organizational culture, managerial cognition, strategic alignment, and adaptive capability emerge as more fundamental determinants of sustainable transformation effectiveness.

Methodologically, the study advances digital transformation scholarship through the integration of bibliometric analysis, panel-data econometric modeling, executive survey analysis, and structural equation modeling within a unified empirical framework. Existing digital transformation research often relies on either conceptual theorization or isolated methodological approaches. By contrast, the present study provides multidimensional empirical evidence capturing organizational, strategic, managerial, and technological dimensions simultaneously. The methodological triangulation strengthens the robustness and explanatory validity of the proposed integrated framework.

The practical implications of the study are substantial. Organizations seeking to realize sustainable value from digital transformation must move beyond purely technology-driven implementation approaches and instead prioritize:

- adaptive leadership,
- long-term strategic orientation,
- organizational learning capability,
- innovation ecosystems,
- and institutional flexibility.

Digital transformation should not be managed as a temporary operational modernization initiative but as a continuous organizational adaptation process requiring strategic patience and long-term investment commitment.

Executives must also recognize the strategic risks associated with managerial myopia and excessive short-termism. Firms prioritizing immediate shareholder returns at the expense of transformational capability

development may undermine their long-term competitiveness and adaptive resilience within rapidly evolving digital environments. Consequently, organizations increasingly require governance structures capable of balancing short-term performance expectations with long-term strategic experimentation, workforce development, and innovation investment.

The findings further suggest that workforce reskilling and organizational learning will become increasingly critical determinants of digital transformation success. Firms investing in collaborative learning cultures, adaptive capability development, and continuous innovation systems consistently demonstrated stronger transformation outcomes and strategic resilience. Human capital and organizational adaptability therefore remain central strategic resources within future digital economies.

The study additionally highlights important implications for policymakers and institutional regulators. Governments increasingly promote digital transformation as a mechanism for economic modernization and industrial competitiveness. However, the findings suggest that effective digital transformation policy must extend beyond technological infrastructure investment and digital adoption incentives. Policymakers should also support:

- organizational capability development,
- workforce adaptation,
- innovation ecosystems,
- digital governance frameworks,
- and strategic leadership development

to ensure sustainable and inclusive transformation outcomes.

Despite its contributions, the study acknowledges several limitations. The research focused primarily on large publicly listed firms operating within relatively advanced digital economies. Smaller organizations and emerging-market firms may experience different transformation dynamics due to resource limitations, institutional variability, and technological infrastructure constraints. Furthermore, digital transformation remains a rapidly evolving phenomenon characterized by continuous technological disruption and changing competitive conditions. Longitudinal effects may therefore continue evolving beyond the temporal scope of the present study.

Future research should therefore examine:

- behavioral dimensions of executive cognition,
- AI governance capability,
- platform ecosystem adaptation,
- workforce transformation dynamics,
- sustainability implications,
- and cross-cultural variation in digital transformation strategy.

Further studies should also investigate how emerging technologies such as generative AI, quantum computing, decentralized digital ecosystems, and autonomous organizational systems may further reshape strategic management and organizational transformation processes.

Overall, this study argues that digital transformation represents far more than technological modernization. It constitutes a broader strategic and organizational transformation process fundamentally reshaping how firms create value, sustain competitiveness, and adapt to rapidly evolving digital environments. Sustainable digital transformation success increasingly depends on organizations' ability to integrate technological innovation with adaptive leadership, strategic foresight, organizational learning, and long-term value creation. By reconceptualizing digital transformation through the integrated lenses of digitalization paradox, managerial cognition, organizational adaptability, and strategic value creation, this study advances a more comprehensive and strategically grounded understanding of organizational transformation within contemporary digital economies.

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