



## Research on the Impact of Digital Transformation in the Accounting Industry on the Performance of Accounting Firms: A Case Analysis of Small-Scale Accounting Firms

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### Abstract

As China's economy continues to grow and its market economy deepens, the number and scale of enterprises continue to expand. This has led to an increase in demand for professional accounting services, including auditing, consulting, taxation and other services. The background of this study is that the popularity of digital transformation in small accounting firms is relatively low, and understanding the impact of digital transformation on corporate performance has important reference value for the industry. Therefore, this article constructs a theoretical model based on proven theories such as motivation theory (including two-factor theory) and human capital theory. Then, the questionnaire survey method was used to collect data, and SPSS was used to conduct Spearman correlation analysis, regression analysis, and other analysis methods to summarize the specific relationship between various factors related to the firm. To a certain extent, it fills gaps in academic research, provides decision-making support for practice, and promotes industry development.

**Keywords:** Chinese Accounting Firms, Digital Transformation, Small-scale Businesses.

### 1. Introduction

With the continuous growth of the economy the deepening of the market economy in China, the number and scale of enterprises are constantly expanding. As a result, it has led to an increased demand for professional accounting services, including audit, consulting, taxation and other services. To meet this demand, accounting firms have the opportunity to develop further and expand. The number of accounting firms as the backbone to solve this problem is also increasing. Lai Lixia (2023) believed that under the background of digital transformation, the financial work of enterprises was becoming more refined, and the changes in the formation of financial accounting were mainly reflected in the real-time financial work, business and financial integration, and intelligent financial management.



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(CICPA, 2020)

According to the financial accounting industry management information system, as of July 1<sup>st</sup>, 2021, there were 6,892 accounting firms (excluding branches) in China, of which 6,682 were small accounting firms, accounting for about 97%. Small accounting firms refer to accounting firms with registered capital of less than 500,000 and accounting services as their main business. Generally, small and medium-sized firms have less than ten employees.

In today's digital age, all walks of life are actively carrying out digital transformation to improve business efficiency and competitiveness. As the core department of enterprise financial management and reporting, digital transformation is particularly important to the accounting industry. Zhang Huanjiong and Cao Xuanli (2023) believe that in recent years, the accounting digital reform represented by intelligent accounting has developed rapidly: from the enterprise level, the development of accounting-related application software products and the construction of system platforms have become an enterprise The important content of overall digital transformation, which plays a positive role in enterprise cost reduction, process reengineering, and improvement of competitiveness; from the perspective of overall economic systems such as business and accounting industry management, Shi Jinyi et al. (2021) in this point of view. It is also believed that the digital transformation of accounting can not only effectively promote the development of the digital economy, but also provide assistance in the formulation and implementation of relevant economic policies; from the perspective of corporate governance, the digital reform of accounting can provide cost accounting and related supervision and management of corporate governance—received various support. Li Sihai (2023) believes that the practical application of digitalization is mainly reflected in paperless financial work, making the company's invoices, receipts, contracts, internal documents and other key original documents form electronic vouchers, ensuring that financial reporting, accounting, and archiving are all electronic vouchers serve as a basis to ensure that the accounts are consistent. These aspects promote the use of more accounting file functions, reduce the company's operating risks and improve the company's accounting quality.

This study is in the context of digitalization, with more and more firms being affected by it, and studying the impact of accounting digitalization will help companies better understand the value of digital technology in the accounting field, further optimize their financial operations, and improve performance and enhance competitiveness. This is critical to adapting to the rapidly changing business environment and digital age. So analyzing it can provide insights into the impact of digital transformation on corporate performance. Therefore, this study aims to explore the impact of digital transformation on corporate performance through a case analysis of small-scale accounting firms.

## 2. Objectives

By understanding and addressing the issues, this paper combines theoretical analysis with empirical research to explore the logical relationships and inherent connections among several themes and concepts.

1. Investigating the Impact of Digital Transformation on Business Processes of Small-Scale Accounting Firms: Has digital transformation altered the business processes and operations of small-scale accounting firms? Has it enhanced the efficiency and accuracy of business processes?

2. Studying the Impact of Digital Transformation on the Economic Performance of Small-Scale Accounting Firms: Has digital transformation reduced the costs of small-scale accounting firms? Has it increased profitability and economic benefits?

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3. Researching the Impact of Digital Transformation on the Skill Requirements of Employees in Small-Scale Accounting Firms: Has digital transformation imposed new skill and knowledge requirements on employees of small-scale accounting firms? Has it increased opportunities for employee development?

Based on the above issues, this article summarizes the influencing factors as follows: Process optimization, economic benefits, employee self-development, employee performance, and financial performance.

Through an analysis of the research background, this paper summarizes previous studies targeting small accounting firms, integrating motivational theories (including the two-factor theory) and human capital theory. A large-scale questionnaire survey investigates the current status of some small firms, examines various factors influencing employees, and, based on data verification, presents the research conclusions, aiming to construct corresponding theoretical models to guide practice. The objectives of this study are as follows:

- 1) Extracting factors influencing user purchase intentions by analyzing previous research results.
- 2) Constructing a theoretical model based on established theories such as motivational theories (including the two-factor theory) and human capital theory.
- 3) Validating research hypotheses and significance levels through questionnaire surveys and data analysis.
- 4) Through appropriate analysis and discussion of research results, aiming to provide practical significance for firms and offer opinions and suggestions for their future development.

### 3. Materials and Methods

#### 3.1. Questionnaire Survey Method:

A total of 459 questionnaires were distributed, and 387 questionnaires were recovered. After repeating single options and incomplete questionnaires, a total of 383 valid questionnaires were collected, accounting for 83.44% of the total questionnaires distributed. Therefore, this study conducted a descriptive statistical analysis of the background factors of 383 respondents, and designed a questionnaire mainly based on the size of the firm where the respondents worked, their positions, and whether digitalisation affected them. The questionnaire questions were mainly based on the previously mentioned Design based on economic benefits, self-development and other factors

This research process is divided into the following three parts: setting up the main research process before and after the survey to ensure the timeliness and accuracy of the work.

Before the investigation, I collected and investigated relevant literature on management, economics, and Chinese domestic firms for sorting and research. First, the ideas and theoretical basis of the research are determined the basic concepts of the research are clarified, and the data results are verified, and the reliability and validity of this study are verified based on previous research.

In the survey, to ensure that the sample size of this study is sufficient and credible. I directly contacted many firms and distributed questionnaires using paid questionnaires or group surveys. This not only ensures that the respondents can accurately know the information contained in the questionnaire but also ensures that the sample of the survey team is sufficient.

After the investigation is completed, the collected data are systematically organized, classified, summarized and analyzed. Organize, analyze and deconstruct a large amount of data, and finally use a variety

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of charts or data analysis tables to display the analysis problems, processes and results.

The This survey used a Likert scale and foreign scholars' standards. The 5-point Likert scale used in the questionnaire is the most commonly used evaluation scale. Subjects can choose one or five options in the five-stage scale when describing each item. Among them, 1 means "completely disagree", 2 means "disagree", 3 means "neutral", 4 means "agree", and 5 means "completely agree". The respondents filled out the questionnaire according to their actual situation. Repeat the survey using an appropriate questionnaire design. Secondly, to prevent the random entry of questionnaire results during the questionnaire design process, this study also set the screening items to valid questionnaires with subsequent evaluation as the initial conditions.

The questionnaire is mainly designed based on factors such as economic benefits and self-development, which were mentioned before.

### 3.2. Literature Review Method:

I am using the literature survey method to understand the current situation of digital transformation in small-scale accounting firms, including the degree of application of digital tools, digital transformation strategies, challenges, etc.

### 3.3 Motivation Theory (including Two-Factor Theory) and Human Capital Theory to demonstrate the impact of employees on company performance

Relevant analysis (SPSS) was used to analyze the collected indicators comprehensively. Methods will be employed, including reliability and validity analysis, frequency analysis, correlation analysis, model regression, etc. Below is a partial display of the table due to page limitations.

The influence of the two-factor theory is as follows:

Among the motivational factors is self-development: employees can participate in training and continuously improve their professional skills at work, improve their skills and knowledge in daily work or use professional software, and achieve personal growth and career development goals. The correlation is in the questionnaire for personal skills, skill learning and other issues.

Hygiene factors include process optimization, improving workflow and process management, reducing duplication of work, and improving work efficiency, which is related to efficiency-related questions in the questionnaire.

Economic benefits: The organization achieves economic benefits through process optimization, cost control and other measures, thereby providing better benefits for the firm, which is related to issues such as the firm's economic benefits.

In the two-factor theory, motivational and hygiene factors are not opposites, but interact. Optimizing motivation factors can increase employee job satisfaction and motivation, while meeting hygiene factors can prevent employee dissatisfaction but does not increase satisfaction. Therefore, firms need to focus on motivational and hygiene factors to improve employee job satisfaction and performance levels. At the same time, this theory shows that the above factors should have a positive relationship with employee and financial performance.

The influence of human capital theory is as follows:

The impact of employee performance on financial performance: Employee performance is one of the key factors help an organization achieve its business goals. Excellent employee performance means higher



productivity, higher quality levels, and higher customer satisfaction, directly contributing to an organization's financial performance.

The impact of financial performance on employee performance: An organization's financial performance affects its level of investment in employees. Financial soundness and growth mean that organizations have more resources to devote to employee training, motivation and development, thereby improving employee skill and performance levels.

Therefore, according to human capital theory, there is a mutually reinforcing relationship between employee performance and financial performance. Organizations achieve their financial goals by investing in their employees to improve performance. In turn, the organization's financial performance will affect its level of employee investment, forming a virtuous cycle that promotes the joint improvement of employee performance and financial performance.

The frequency analysis is as follows:

#### Cronbach reliability analysis

Name	(CITC)□	Deleted Cronbach's Alpha	Cronbach's Alpha Coefficient
After digital transformation, we have noticed a significant improvement in the execution speed of our workflows	0.694	0.982	
The use of digital tools has made our workflows more efficient and expedient	0.686	0.982	
Digital transformation has notably enhanced our resource utilization efficiency.	0.693	0.982	
Following digital transformation, we have observed a significant decrease in process execution time.	0.697	0.982	
Digital transformation has provided significant assistance in reducing work hours and saving costs.	0.711	0.982	
Digital transformation has positively impacted the accuracy and reliability of processes.	0.724	0.982	
Digital tools play a crucial role in improving process quality. Error rates.	0.765	0.981	
We have experienced a notable decrease in process error rates following digital transformation.	0.786	0.981	0.982
Digital transformation enables quicker and more reliable resolution of issues encountered in work.	0.773	0.981	
The customer complaint rate has significantly decreased following digital transformation.	0.636	0.982	
Digital transformation helps to reduce potential risks in processes.	0.707	0.982	
Digital tools have a significant impact on process control and risk management.	0.710	0.982	
Digital transformation has improved the effectiveness of our process approval and compliance control.	0.766	0.981	
Following digital transformation, our ability to identify and monitor risks has been enhanced.	0.808	0.981	
Digital transformation has a positive impact on reducing process risks.	0.781	0.981	
Digital transformation has a positive impact on the company's economic benefits.	0.779	0.981	

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Digital tools enhance the company's financial benefits and reduce costs.	0.769	0.981
We observe that digital transformation positively impacts the company's profit and revenue.	0.771	0.981
Digital transformation has changed the requirements for employees' technical expertise.	0.793	0.981
The application of digital tools plays an important role in accounting expertise and skills.	0.812	0.981
Following digital transformation, employees must learn and master new digital tools and technologies.	0.718	0.982
Digital transformation raises the bar for employees' level of professional knowledge.	0.763	0.982
Digital transformation enhances employees' professional knowledge and technical skills in the digital field.	0.708	0.982
I actively guide the team to adapt to changes and adjust workflows appropriately during digital transformation.	0.726	0.982
I have played a good leadership role in digital transformation by guiding and supporting employees to adapt to changes.	0.818	0.981
I have the ability to motivate employees to perform at their best during digital transformation.	0.762	0.981
Digital transformation poses higher demands on my leadership abilities and skills.	0.776	0.981
My coordination and leadership abilities are crucial to the company's success during digital transformation.	0.799	0.981
I am willing to continue learning and improving my knowledge and skills in the digital field.	0.800	0.981
Digital transformation has fueled my motivation for learning and development.	0.792	0.981
The company provides opportunities and resources for learning and development for employees.	0.784	0.981
Digital transformation provides me with broader learning and development opportunities.	0.794	0.981
Digital transformation provides me with more challenges and opportunities, prompting me to learn and grow.	0.757	0.981
Digital transformation has a positive impact on the company's financial performance.	0.677	0.982
I have noticed that digital transformation has helped increase net and gross profit margins.	0.734	0.982
Following digital transformation, our revenue has increased.	0.780	0.981
Digital transformation has increased the stability and predictability of the company's financial indicators.	0.781	0.981
Digital transformation is crucial for enhancing the company's competitive advantage and profitability.	0.775	0.981
Digital transformation has a positive impact on employees' performance and work quality.	0.781	0.981
I have noticed that employees' work efficiency has improved after digital transformation.	0.755	0.982
Digital transformation is beneficial for the quality and accuracy of employees' task completion.	0.749	0.982
Digital transformation enhances employees' teamwork and collaboration abilities.	0.653	0.982
I believe digital transformation positively impacts employees' job satisfaction and welfare.	0.661	0.982

**Cronbach's Coefficient** : 0.983□

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From the table above, we can see that the reliability coefficient value is 0.982, which is greater than 0.9, which indicates that the reliability quality of the research data is very high. Regarding the "alpha coefficient of deleted items", after any item is deleted, the reliability coefficient will not increase significantly, so it means that the item should not be deleted.

For the "CITC value", that is, the corrected item-total correlation. It is usually used to measure the correlation between each individual item in a scale and the score of the entire scale to evaluate the internal consistency or reliability of the item. The CITC values of the analysis items are all greater than 0.4, indicating that there is good consistency between the analysis items. The correlation also indicates that the reliability level is good.

The table above demonstrates that the research data's reliability coefficient value exceeds 0.9, indicating its high quality and suitability for further analysis. The validity analysis cannot release the table due to space reasons, but the conclusion is as follows: In the reliability and validity analysis, Cronbach's Alpha value exceeded 0.9, and the KMO value also exceeded 0.7, indicating that the questionnaire has good reliability and validity and can be analyzed in the next step.

#### 4. Results and Discussion

Summary Table of Regression Coefficients for the Model

X	→	Y	Unstandardized Path Coefficients	SE	z(CR)	p	Standardized Path Coefficients
Financial performance	→	Employee performance	0.394	0.058	6.788	0.000	0.394
Self-learning and development	→	Employee performance	0.198	0.074	2.682	0.007	0.198
Personal leadership skills	→	Employee performance	0.112	0.077	1.459	0.144	0.112
Technical expertise	→	Employee performance	-0.003	0.067	-0.049	0.961	-0.003
Economic benefits	→	Employee performance	0.073	0.053	1.386	0.166	0.073
Process risk	→	Employee performance	0.073	0.068	1.073	0.283	0.073
Process quality	→	Employee performance	-0.058	0.077	-0.758	0.448	-0.058
Process efficiency	→	Employee performance	0.202	0.051	3.935	0.000	0.202
Self-learning and development	→	Financial performance	0.678	0.055	12.297	0.000	0.678
Personal leadership skills	→	Financial performance	0.006	0.068	0.096	0.924	0.006
Technical expertise	→	Financial performance	0.200	0.058	3.458	0.001	0.200

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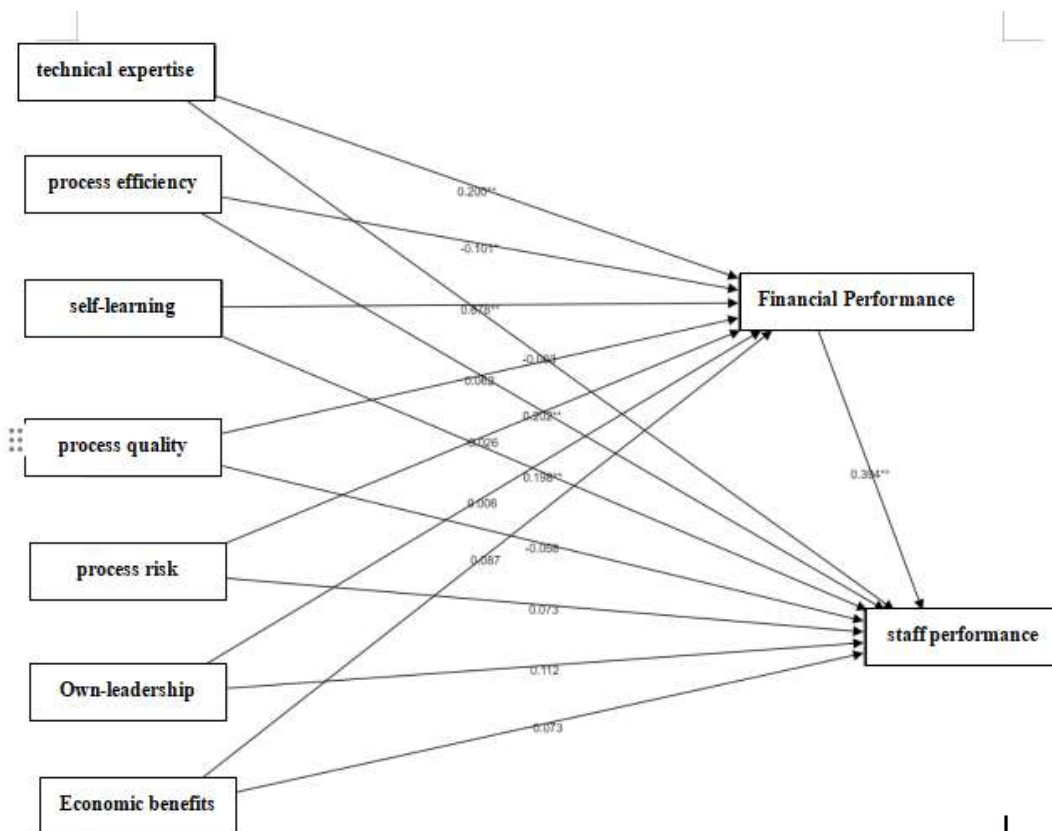


Economic benefits	→	Financial performance	0.087	0.046	1.880	0.060	0.087
Process risk	→	Financial performance	-0.026	0.060	-0.428	0.669	-0.026
Process quality	→	Financial performance	0.062	0.068	0.916	0.359	0.062
Process efficiency	→	Financial performance	-0.101	0.045	-2.244	0.025	-0.101

Note: "→" represents the directional influence relationship.

Summary Table of Model Fit (R<sup>2</sup>)

Item	R Eigenvalue
Employee performance	0.742
Financial performance	0.799



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Based on the analysis results, we can explain the influence relationship of each path:

1. Regarding the impact of self-learning and development on employee performance:

- The standardized path coefficient is 0.465, indicating that self-learning and development significantly impact employee performance.

- The Z value is 7.022, and the p-value is 0.000, indicating that this relationship is statistically significant; that is, the impact of self-learning and development on employee performance is significant.

2. Regarding the impact of other independent variables (own leadership capabilities, technical expertise, economic benefits, process risks, process quality, process efficiency) on employee performance:

- Except for process efficiency, the impact of other independent variables on employee performance is not statistically significant (i.e., the p-value is greater than 0.05).

- The impact of process efficiency on employee performance is statistically significant and shows a negative relationship; that is, the lower the process efficiency, the lower employee performance.

3. Regarding the impact of employee performance on financial performance:

- The impact of employee performance on financial performance is statistically significant, indicating that employee performance has a significant positive impact on financial performance.

4. Regarding the impact of other independent variables (self-learning and development, own leadership capabilities, technical expertise, economic benefits, process risks, process quality, process efficiency) on financial performance:

- The impact of self-learning and development and technical expertise on financial performance is statistically significant and shows a positive relationship.

This study used questionnaire survey data to test the research hypotheses proposed in this article for empirical testing. First, the data collection method and sample characteristics are introduced, and software such as SPSS is used to test the reliability and validity of the questionnaire data. The results show that the measurement model of this study has a high degree of fit. Secondly, the regression analysis method was used to test the impact of each factor, and the results showed that they all had a positive and significant impact on financial and employee performance. Finally, the mediating effect of cognitive information quality was verified through regression analysis and structural equation modeling. Finally, a better argumentation result is given from the perspective of results. To sum up, the results of this article are as follows:



Assumption content	Results
Process optimization plays a positive role in promoting employee performance;	Not Established
<b>Economic benefits play a positive role in promoting employee performance ;</b>	established
Self-development plays a positive role in promoting employee performance;	established
Process optimization plays a positive role in promoting financial performance;	established
Economic benefits play a positive role in promoting financial performance;	established
Self-development positively contributes to financial performance;	established
Employee performance plays a positive role in promoting financial performance;	established

## 5. Conclusion

This study aims to explore the impact of digital transformation in the accounting industry on corporate performance and assist firms. In this study, we will first focus on the impact of digitalization on small firms, using theories such as two-factor and self-determination to determine the main influencing factors. A preliminary model was constructed. Secondly, theoretical reasoning was conducted based on the relationship between variables, corresponding hypotheses were proposed, and measurement scales were designed based on existing research. A small-scale test was conducted after the preliminary questionnaire was formed to form the final results.

- Self-learning and development have a significant positive impact on employee performance.
- The impact of one's own leadership ability, technical expertise, economic benefits, process risks, process quality, and process efficiency) on employee performance:
- Except for process efficiency, the impact of other independent variables on employee performance is not statistically significant
  - The impact of process efficiency on employee performance is statistically significant and shows a negative relationship; that is, the lower the process efficiency, the lower employee performance.
  - The impact of employee performance on financial performance is statistically significant, indicating that employee performance has a significant positive impact on financial performance.
  - The impact of self-learning and development and technical expertise on financial performance is statistically significant and shows a positive relationship.

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