Journal of Social Science and Management Studies
Vol. 2, No. 1, Jan - Mar 2026, pp. 7-17
ISSN: 3107-3719, DOI: https://doi.org/10.17051/JSSMS/02.01.02

Digital Transformation and Sustainable Business Performance: An Empirical Analysis of Innovation, Leadership, and Policy Integration in Emerging Economies

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Article Info

Article history:

Received : 13.12.2025
Revised : 05.01.2026
Accepted : 07.02.2026

Keywords:

Digital transformation,
sustainable business performance,
innovation,
leadership,
policy integration,
emerging economies

ABSTRACT

Digital transformation is now a major catalyst of organizational competitiveness and sustainability more so in the emerging economies. Nevertheless, the processes in which digital transformation can boost sustainable business performance are only partially studied. This research paper explores how digital transformation can affect sustainable business performance with focus on the functions of innovation, leadership and policy integration. On the basis of the Resource-Based View, the Dynamic Capabilities Theory and the Institutional Theory, a conceptual framework is created and tested empirically on the basis of the data gathered among the firms operating in emerging economies. The quantitative research design is taken and Structural Equation Modeling (SEM) is used to check relationships between the constructs. The findings indicate that digital transformation has a positive impact on sustainable business performance. Innovation is determined to mediate this relationship, in part, meaning that it is important in transforming digital capabilities into long-term results. Also, the integrations of leadership and policy are important moderating forces, which favor the success of any digital transformation efforts. This research has value since it provides a holistic empirical model between digital transformation and sustainability at an organizational and policy level. Findings are practical to guide managers and policymakers who seek to ensure digital strategies are in line with sustainable development goals in emerging markets.

1. INTRODUCTION

Over the last few years, digital transformation has become a key facilitator of organizational competitiveness and long-term value creation [2], [9], [10]. The innovative use of technologies, including artificial intelligence, cloud computing, analytics of big data, and the Internet of Things, have profoundly transformed business models, business operations, and strategies of engagement with customers [1], [6]. Meanwhile, there has been a rise in environmental issues, regulatory pressures and stakeholder demands and these have forced organizations to put sustainable business practices at the forefront of their consideration [3]. Consequently, companies are increasingly being pressured to combine digital transformation efforts with sustainability goals in order to attain balanced economic, environmental and social performance.

Although the digital transformation is now understood to be crucial, there is a tendency of organizations to struggle with how to convert digital investments into sustainable business results [8], [11]. Lots of companies use digital technologies in order to become more efficient and innovative, but do not connect these efforts with the wider sustainability objectives. This discrepancy results in haphazard strategies, lessened long-term effectiveness, and ineffective use of resources. In addition, the organizational and institutional factors such as innovation capabilities, leadership practices and policy environments, which determine the effectiveness of digital transformation, are usually studied separately and not in an integrated manner [4], [12].

There is existing literature that gives a good insight into individual roles of digital transformation, innovation, leadership and sustainability. Nevertheless, empirical research that thoroughly looks at the interaction of these factors with the way they affect sustainable business performance, in light of emerging economies, is lacking. These economies come with

distinct challenges that comprise institutional constraints, varying regulatory regimes and limitations of resources, which only make the digital transformations-sustainability nexus harder to tackle.

In order to fill this gap, the current research will examine the effects of digital transformation on the sustainable business performance and more specifically the mediating role of innovation and moderating role of leadership and policy integration. The research questions to be answered in the study are as follows: (i) How digital transformation affects sustainable business performance? (ii) How much does innovation mediate this relationship? (iii) What is the moderation of leadership and policy integration on the effectiveness of digital transformation initiatives?

This study makes a contribution to the literature in a number of ways. Theoretically, it constructs a comprehensive framework based on Resource-Based View, Dynamic Capabilities Theory and Institutional Theory to delve into the interaction between digital transformation and sustainability [8], [12]. It is empirical evidence of emerging-economy evidence, which gives context-specific information on organizational and policy drivers of sustainable performance. In practice, the results can provide practical implications on how managers and policymakers can use the research to align digital strategies with long-term sustainability goals and to improve sustainable organizational resilience.

2. LITERATURE REVIEW

Online revolution has become an organizational strategic requirement to increase competitiveness and flexibility in dynamic organizational business models [9], [11]. It is associated with the introduction of new technologies in the organization, including artificial intelligence, cloud computing, and data analytics, to generate value and enhance efficiency [2]. Vial (2019) frames the digital transformation as the process that allows bringing about considerable organizational improvement by utilizing digital technologies, whereas Bharadwaj et al. (2013) emphasize its role in defining the business strategies and competitive positioning anew [2], [10]. Even though the digital transformation improves the agility in operations and innovation, the direct impact on sustainable business performance is not well researched. The concept of sustainable business performance that is based on the triple bottom line framework includes economic, environmental, and social aspects. Increased regulatory pressures and pressures on the part of the stakeholders are pushing organizations to integrate their strategies with sustainability expectations. Eccles et al. (2014) evidence that the financial performance of the firms with high sustainability practices has better long-term performance [3].

Nevertheless, the incorporation of digital transformation programs and sustainability programs is very disjointed especially in developing economies where institutional and technological barriers inhibit successful execution.

Innovation is vital in closing the gap between outcomes of digital transformation and sustainability. Digital innovation can help organizations to create new products, services and business models that help them improve their competitiveness as well as sustainability [6]. Nambisan et al. (2017) highlight that innovation is enabled by digital technologies based on platform-based ecosystems and co-creation of value [6]. Although it is important, the interplay between innovation and other aspects of organization like leadership and policy frameworks has not been explored in empirical literature. Leadership has been widely known to be a major force behind organizational change. Specifically, transformational leadership promotes an innovative culture, the strategic change, and the effective execution of digital programs [4]. According to Kane et al. (2015), digitally mature organizations are those leaders who ensure that technology is embraced and change is encouraged in their organization. However, few empirical studies have been conducted to understand the effect of leadership on sustainable business performance in combination with digital transformation. Integration of policies, also termed as the mating of business strategies and regulatory engines and acts of governance, is likewise a vital factor that determines business outcomes. The institutional theory proposes that organs of pressure like regulations and standards affect organizational behavior and strategies [12]. Del Río et al. (2016) emphasize that stable policy frameworks can foster sustainable innovation and control firms on the path of environmentally friendly practices. Nevertheless, the impact of policy integration coupled with digital transformation on sustainable performance has not been adequately explored, especially among emerging economies. Table 1 outlines a synthesis of the current literature and the associated gaps in the research, and in this regard, demonstrates that previous studies have done a large part of the research in isolation (digital transformation, sustainability, innovation, leadership, and policy integration). The situation is still far behind in the creation of an integrated empirical framework, which takes into consideration all these factors at the same time to explain sustainable business performance in emerging markets.

Table 1. Summary of Key Literature and Research Gap

Author	Focus Area	Key Findings	Research Gap
Bharadwaj et al. (2013)	Digital transformation	Digital technologies reshape business strategy	Limited focus on sustainability outcomes
Vial (2019)	Digital transformation	Enables organizational transformation	Weak linkage to sustainable performance
Eccles et al. (2014)	Sustainability	Sustainability improves long-term performance	Lack of integration with digital transformation
Nambisan et al. (2017)	Innovation	Digital innovation drives value creation	Limited policy integration perspective
Kane et al. (2015)	Leadership	Leadership drives digital maturity	Limited empirical link to sustainability
Del Río et al. (2016)	Policy integration	Policies promote sustainable innovation	Weak integration with digital transformation

3. Theoretical Framework and Hypotheses Development

The Digital transformation and sustainable business performance can be linked to the theoretical perspectives, which are complementary in nature (Resource-Based View (RBV), Dynamic Capabilities Theory, and Institutional Theory). All these frameworks describe the interactions between internal resources, organizational capabilities and external pressures as they interplay to determine the firm performance in a digitally changing environment.

Resource-Based View (RBV): It is based on a premise that competitive advantage is attained when a firm makes use of valuable, rare, inimitable, and non-substitutable resources. Digital transformation is a strategic asset, in the context of this study, that improves the efficiency of operations, ability to innovate, and decision-making skills. Nonetheless, the introduction of digital technologies alone does not necessarily lead to the sustainable business performance unless it is followed by their effective use and alignment to the organizational goals.

Dynamic Capabilities Theory is a continuation of RBV that focuses on the capability of a firm to combine, develop, and reconstruct both internal and external capabilities according to the dynamics in the external environment. Digital transformation allows organizations to be constantly flexible (innovation, process optimization and business model transformation). Thus, innovation is a very important mechanism whereby digital capabilities are implemented into sustainable results. The Institutional Theory emphasizes the influence of external forces, including regulations, policies and governance structures on organizational behavior. The integration of policy guarantees alignment of digital strategy of firms with regulatory regimes and sustainability principles, which improves the legitimacy and long-term performance of the firms. Likewise, leadership is critical in the process of leading digital transformation, innovation, and alignment of technological adoption and sustainability.

Through these theoretical views, this paper will develop a holistic conceptual model, as would be seen in Figure 1. The framework portrays the digital transformation to be the key independent variable in moderate sustainable business performance. As a mediating variable, innovation will explain how digital transformation will result in better sustainability outcomes. The model is the moderators of leadership and policy integration that contribute to the strength and effectiveness of this relationship. In particular, the digital transformation is likely to positively impact the sustainable performance of business directly, making it more efficient, allowing the use of data to make decisions, and promoting the environmentally and socially responsible business practices. The first path between this pair of variables in Figure 1 shows this direct relationship. Moreover, digital transformation increases innovation capabilities and so, in turn, sustainable performance due to new products, processes, and business models. Figure 1 also reflects this indirect mediated effect that is mediated by innovation. Moreover, leadership and policy integration also determine the success of digital transformation initiatives. Effective leadership helps to create a culture of innovation, strategic alignment, and to successfully implement digital initiatives. On the same note, policy integration will provide alignment of organizational strategies to the requirements of regulatory and sustainability, enhancing the effectiveness of digital transformation towards sustainable results. These moderating effects can be seen in the form of interaction pathways as Figure 1 shows, which determines the relationship between digital transformation and sustainable business performance.

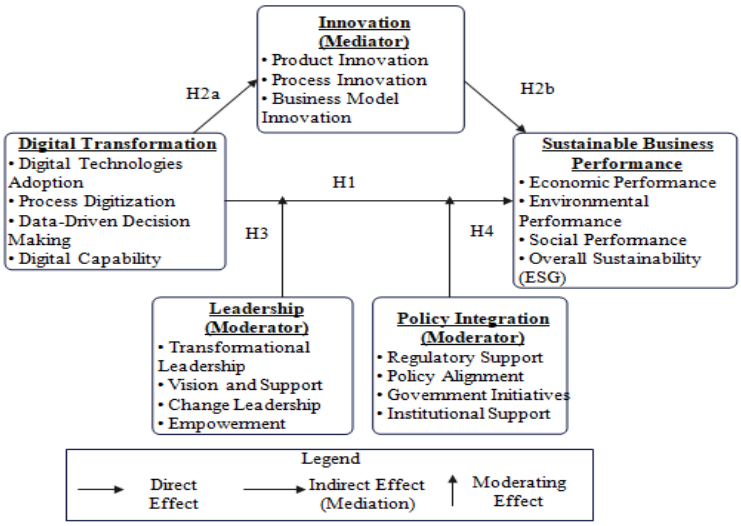


Fig. 1. Conceptual Framework of Digital Transformation, Innovation, Leadership, Policy Integration, and Sustainable Business Performance

In accordance with the suggested framework, the next hypotheses are formulated:

H1: The digital transformation has a positive influence on sustainable business performance.

H2: Digital transformation and sustainable business performance are related with the help of innovation.

H3: Leadership mediates the digital transformation and sustainable business performance such that stronger relationship will exist between them when there is competent leadership.

H4: Policy integration enhances the correlation between digital transformation and sustainable performance of businesses.

4. RESEARCH METHODOLOGY

4.1 Research Design

In this paper, the research design that will be used is quantitative-empirical research to test the hypothesis of interrelations between digital transformation and sustainable performance of business and the contribution of innovation, leadership, and policy integration. The quantitative approach is deemed suitable because it allows the methodical measure of variables and statistical test the relationship hypothesized. The empiricism of the study enables testing the theoretical assumptions with real world data on companies involved in the emerging economies.

The survey based method is adopted as the main method of data collection because it is effective in collecting perceptual and organizational level data of a large population of respondents. The data on the most significant constructs that are being investigated with the help of structured questionnaires are digital transformation, innovation, leadership, policy integration, and sustainable business performance. This method will allow gathering standardized data, which will be consistent and reliable between responses.

Moreover, the research is devoted to verification of the hypotheses put forward with the help of the latest statistical modeling methods. Structural Equation Modeling (SEM) is applied to examine both direct and indirect relationships between the constructs, which will make it possible to comprehensively evaluate mediation and moderation effects. This type of methodological procedure offers solid resolutions on the intricate dynamics between the digital transformation and sustainability consequences.

4.2 Data Collection

To gather the data to be used in this study, a structured questionnaire was used as a data collection tool supplemented where appropriate with secondary sources of data to establish comprehensive and reliable data. The survey tool was created to capture data that pertains to digital transformation, innovation, leadership, policy integration, and sustainable business performance. The Likert-scale format was also used to allow standardized responses and to be able to analyze the result quantitatively. The study target population includes the companies that operate in the emerging economies, and the initiatives of digital transformation are dynamic but in most cases, limited by institutional and resource constraints. Managerial and executive positions were picked as the respondents such as senior managers, department heads, and decision-makers have adequate knowledge and experience to give valid information about organizational practices, and strategies.

To maximize the response rates and cover a larger area, the data collection process was carried out both online and offline. The questionnaires were

distributed through email and the professional networks online whereas the offline data collection was carried out through direct contacts wherever possible. The data collection was over a couple of weeks to allow enough participation and follow-ups were made to enhance response rates and quality of data. The general research procedure that will be used in the current study is depicted in Figure 2 that displays the chronological flow-chart in terms of research design and data collection, sampling, data screening, measurement validation, structural model analysis and hypothesis testing. This systematic methodology guarantees a rigor methodological approach and improvement in the reliability and validity of study results.

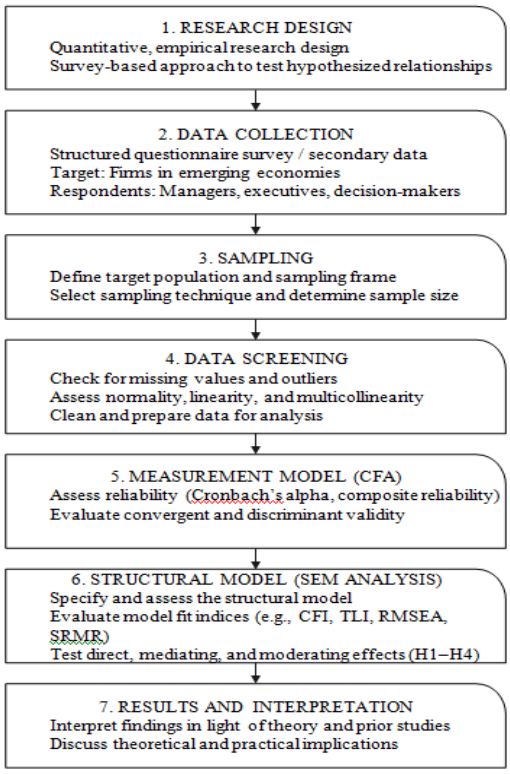


Fig. 2. Research Methodology Flowchart for Data Collection, Analysis, and Hypothesis Testing

4.3 Sample and Sampling Technique

The research applies a structured sampling method to see to it that valid and representative data of firms in the emerging economies are collected. A stratified and convenience sample is employed. The stratified sampling is used to provide representative samples in various industries and organizations of different sizes and convenience sampling is done to access respondents with pertinent expertise. The method is generally employed in organization and management studies whereby data at firm level is usually limited.

The study has a sample size of 200 to 400 respondents and this is believed to be enough to analyze through Structural Equation Modeling (SEM). According to the previous studies, SEM must have a sample of at least 200 observations to obtain stable and reliable estimates of the parameters. Moreover, this size is adequate to guarantee adequate statistical power to identify meaningful relationships between variables and the strength of both the mediation and moderation analysis.

The study inclusion criteria include that the respondents need to be managers or decision-makers in their respective organizations and familiar with the concepts of digital transformation initiatives and sustainability practices. Exclusions are made to keep data quality and consistency by excluding respondents with no relevant organizational experience or incomplete surveys. Study variables are measured using established scales modified to be used by the earlier literature to ensure reliability and validity. All constructs are operationalized with several indicators of a Likert scale. Table 2 shows the details of the constructs, its indicators, sources and measurement scales.

Table 2. Measurement of Variables

Construct	Indicators	Source	Scale
Digital Transformation	Digital adoption, IT capability	Bharadwaj et al. (2013); Vial (2019)	Likert (1–5)
Innovation	Product/process innovation	Nambisan et al. (2017)	Likert
Leadership	Transformational leadership	Avolio et al. (2014)	Likert
Policy Integration	Regulatory alignment	Del Río et al. (2016)	Likert
Sustainable Performance	Economic, environmental, social	Eccles et al. (2014)	Likert

4.4 Data Analysis Techniques

The data analysis in this research is done in a systematic and multi-stage approach to guarantee reliability, validity, and robustness of results. Data screening procedures are first conducted to determine the quality of data collected. This involves missing values, treatment and identification of outliers, and testing of the normality of the data distribution. These initial procedures are necessary to make sure that the dataset satisfies the assumptions needed to conduct further statistical tests.

After the data screening, reliability analysis will also be done as a measure of internal consistency of the measurement scales. As the main measure of reliability, Cronbach alpha is calculated, and when the value is beyond the permissible level, the fact is considered to be satisfactory consistency among different items in the measurement of each construct.

Confirmatory Factor Analysis (CFA) is used to determine the validity of the measurement model. This step will test convergent and discriminant validity of the constructs based on factor loading, composite reliability, and average variance extracted. The CFA is a method that determines that the measured variables are a good representation of the latent variables being measured.

Structural Equation Modeling (SEM) is then used to test the hypothesized relationships between the variables. SEM allows simultaneous estimation of a number of relationships, and it gives a thorough analysis of direct and indirect effects of the proposed model. Lastly hypothesis testing is carried out within the framework of SEM. To test H1, the direct impact of digital transformation on sustainable business performance is studied. Mediation analysis is done to determine the indirect effect of innovation (H2), moderation analysis is done to understand the impact of leadership and policy integration on the relationship between digital transformation and sustainable performance (H3 and H4). This combined methodology will guarantee a stringent analysis of the proposed study model.

5. RESULTS AND ANALYSIS

5.1 Descriptive Statistics

Here the descriptive statistics of the study will be displayed, whereby a profile of the respondents will be summarized, as well as the distribution of key constructs. The analysis will give a preliminary insight on data and then it will continue to sophisticated statistical analysis. The respondent profile will be individuals who have been in managerial and decision making positions in companies that are in the emerging economies, thus giving informed organizations views.

The mean values and standard deviations of the digital transformation, innovation, leadership, policy integration, and sustainable business performance are assessed to measure the descriptive statistics of the main constructs. These measurements will give details on the central tendency of the responses as well as variability of the responses, which will show how strongly each of the constructs is perceived in the sampled organizations.

The distribution and comparison of the mean values of the key constructs is shown in Figure 3, a bar chart of the averages of scores (scale ranging 1–5) with the error of standard deviation as the error bars. Innovation, as indicated in the figure has the largest mean value (around 3.92), which implies that organizations in the emerging economies have quite good innovation practices. The mean values of sustainable business performance and digital transformation are also relatively high (approximately 3.88 and 3.85, respectively), which indicates that they are moderately to strongly adopted when it comes to digital strategies and sustainability measures.

Conversely, leadership (mean ≈ 3.78) and policy integration (mean ≈ 3.65) have relatively lower scores, and there might be gaps in the strategic leadership provision, as well as in the alignment with regulatory frameworks. The fact that error bars are in the figure indicates the variability of the responses and the moderate standard deviations of all constructs indicates that there is a reasonable level of consistency between the responses.

In general, the descriptive analysis shows that although organizations are in the process of actively pursuing digital transformation and innovation, leadership effectiveness and alignment of policies could be better, to achieve the full potential of sustainable business performance.

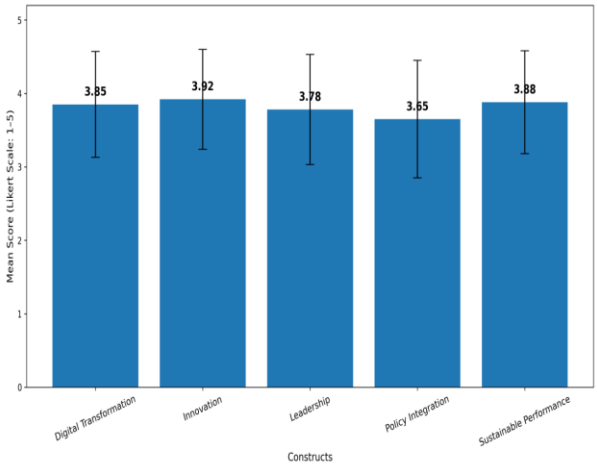


Fig. 3. Descriptive Statistics of Key Constructs (Mean Scores with Standard Deviation)

5.2 Measurement Model assessment (CFA)

Measurement model is tested to determine the reliability of the constructs along with the validity of the constructs applied in the research. Cronbach alpha and composite reliability (CR) are used to examine reliability to ascertain the internal consistency of measurement scales. The findings show that the constructs are all above the recommended values in terms of threshold, which is satisfactory reliability.

Both convergent and discriminant validity are analyzed to determine validity. Convergent validity is tested by Average Variance Extracted (AVE), all constructs show that the AVE is above the acceptable level, and the indicators are satisfactory in representing the latent variables. The discriminant validity is affirming by making sure that the constructs are empirically differentiated among themselves, which also enhances the strength of the measurement model.

The findings of measurement model are shown in Figure 4 that depicts the correlation between latent constructs and its observed indicators and their factor loading standard values. All the factor loadings are statistically significant as shown in the figure, which confirms high construct validity. Moreover, the measurement model is validated, and the further analysis of the structural model is well-founded. Measuring validation to hypothesis testing can be demonstrated by the structural relationship as shown in Figure 5 that uses the verified constructs to test the direct, mediating, and moderating relationships between variables.

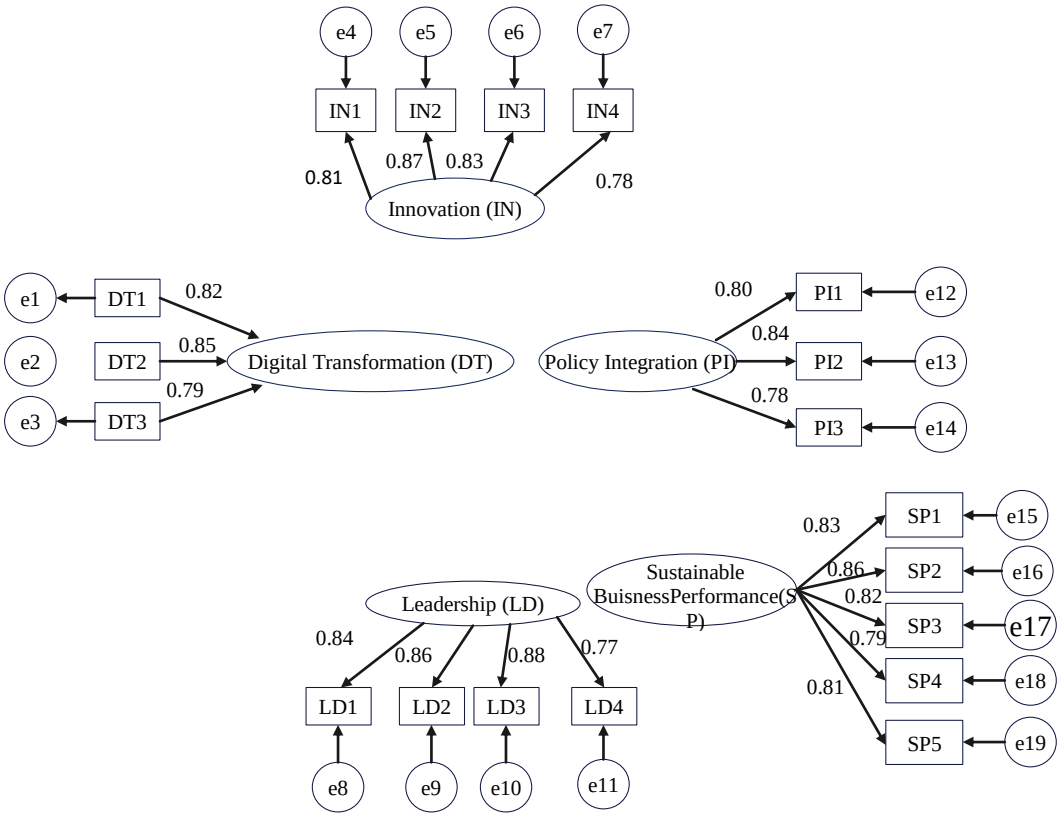


Fig. 4. Measurement Model (Confirmatory Factor Analysis) Showing Factor Loadings of Constructs

5.4 Structural Model Analysis (SMEA)

The structural model is examined in order to test the hypothesized relationships between digital transformation, innovation, leadership, policy integration and sustainable business performance. The model evaluation encompasses model fit indices, path coefficients and strength and direction of relations. Standard goodness of fit indices such as Comparative Fit Index (CFI), Tucker-Lewis Index (TLI), root mean square error of approximation (RMSEA) and standardized root mean square residual (SRMR) are used to assess the model fit. The obtained results show that all the indices are within acceptable levels of the acceptable threshold, which proves that the proposed model is a good fit to the observed data.

Figure 5 shows the standardized path coefficients and direction of relationships between the constructs and depicts structural relationships amongst the constructs. Digital transformation positively impacts sustainable business performance ($\beta = 0.45$) as indicated by the figure, which supports H1. Moreover, innovation ($\beta = 0.62$) is a significant driver of sustainable business

performance (β = 0.38) mediated by digital transformation, which proves the mediating role of innovation and supports H2.

Moreover, leadership and policy integration moderating effects are also represented in the model. The interplay between the digital transformation and sustainable business performance is moderated by leadership, as shown by the interaction effect (H3). Likewise, policy integration enhances the connection between digital transformation and sustainable business performance (H4), implying the regulatory alignment is the key factor of digital initiative effectiveness. Altogether, the structural model proves that digital transformation has both direct and indirect impact on sustainable business performance via innovation and leadership and policy integration are critical moderating variables that can improve the relationship.

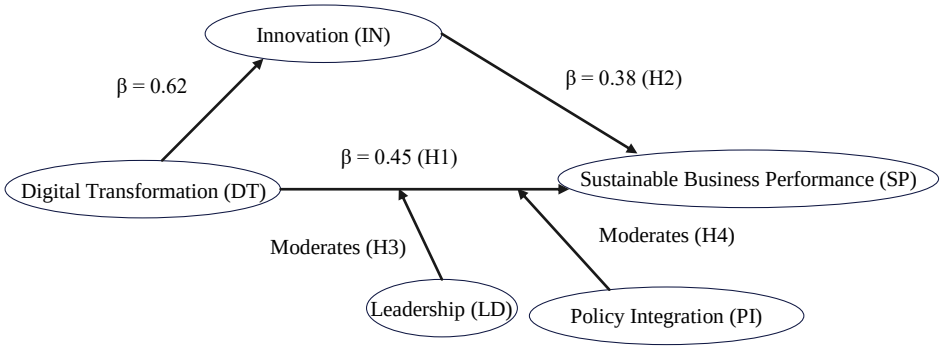


Fig. 5. Structural Model Results (SEM Path Analysis) Showing Direct, Mediating, and Moderating Effects

5.4 Hypothesis Testing

Structural Equation Modeling (SEM) is used to test the hypotheses in this research, and results are assessed with the help of standardized path coefficients (B values), t-values, and significance levels (p-values). The results bring empirical evidence to support the hypothesized relationships between digital transformation and innovation, leadership, policy integration, and sustainable business performance.

Direct impact of digital transformation on sustainable business performance (H1) has been determined to have a positive and statistically significant relationship (= 0.45, p < 0.001) meaning that an organization having strategies of digital transformation is more likely to sustain business performance at higher levels. H1 is thus accepted.

H2 is analyzed as the mediating effect of innovation, where the digitization transformation and the sustainable business performance are tested indirectly via innovation. The findings reveal that digital transformation has a considerable impact on innovation (β = 0.62, p < 0.001), and innovation has a considerable effect on sustainable business performance (β = 0.38, p < 0.001). This affirms the fact that innovation is a partial mediator between these variables and H2 is therefore accepted.

The moderating influence of the leadership (H3) on the association between the digital transformation and sustainable business performance is also important (0.21, p < 0.01). This implies that a good leader can increase the positive influence of digital transformation on performance. H3 is thus supported.

Similarly, the moderating role of policy integration (H4) is found to be positive and statistically significant (β = 0.18, p < 0.05), indicating that alignment with regulatory and policy frameworks strengthens the relationship between digital transformation and sustainable business performance. Therefore, H4 holds. Altogether, the findings indicate that digital transformation does not only have a direct impact on the sustainable business performance but also indirect effects by the means of innovation, and leadership and policy integration have important moderating effects on enhancing such a relationship.

6. DISCUSSION

The results of the current research are valuable sources of knowledge about the significance of digital transformation in increasing the sustainable business performance, especially in a developing economy. These findings confirm that digital transformation is one of the main drivers of organizational performance, directly and indirectly, via innovation and situational organizational considerations.

The substantial positive correlation between digital transformation and sustainable business performance helps to argue that digital technologies positively influence operational efficiency, optimization of resources and future value creation. The results of the present study match previous works that underscore the strategic role of digital transformation in the

realization of competitive advantage and sustainability implications. Organizations that embrace digital tools and use options are more apt to ensure they react to dynamic conditions in the market and environmental challenges.

The mediating process of innovation also emphasizes the process by which the digital transformation into enhanced performance occurs. The findings imply that the digital transformation promotes both product and process innovation, which subsequently boosts sustainable performance. This is aligning with the existing literature that innovation is a key facilitator in digital capabilities value creation. The partial mediation nature of the study indicates that, although digital transformation has a direct effect on performance, its efficacy is highly enhanced by activities that are guided by innovation.

The findings are further elaborated by the moderating effects of leadership and integration of policies. Digital initiatives are highly dependent on leadership as these leaders can shape the success of digital endeavors through the lens of strategic vision, organizational culture, and decision-making process. The moderate impact value is large, which means that robust leadership increases the effects of digital transformation on the performance, supporting the role of managerial capabilities in the digital world. On the same note, policy integration also enhances this relationship by making sure that it is in line with regulatory frameworks and sustainability policies. This implies that companies that are running in favorable policy settings tend to enjoy the fruits of digital transformation more.

In general, each of the hypothesized relationships is statistically significant which points to the existence of a strong model with good explanatory power. The fact that the non-significant relationships are not found indicates that the chosen variables and theoretical frameworks are useful in capturing the dynamics of digital transformation and sustainability. Nonetheless, this similarly implies that further studies are required in the future to consider other contextual or moderating variables that can further hone the model. Theoretically, the results can be used to enrich the Resource-Based View (RBV), Dynamic Capabilities Theory, and Institutional Theory because internal capabilities (digital transformation and innovation) and external factors (policy integration) interrelationship are shown to impact organizational performance. In practical terms, the findings present practical implications on managers and policymakers by highlighting that researching the application of new technology, innovation strategies, strong leadership, and harmonious regulation are needed.

7. Practical Implications

The results of this paper have a number of practical consequences to managers, organizational leaders and policymakers, especially in the emergent economies where digitalization and sustainability are more important in the development of the company in the long term. As a manager, the findings indicate how critical it would be to integrate the digital transformation efforts strategically to provide sustainable performance in the business. Investments in digital technologies like data analytics, automation, and cloud-based solutions, should be prioritized by managers in order to enhance operational efficiency and contribute to sustainable practices. Besides, organizations can create a culture of constant innovation because innovation has been found to mediate digital capabilities into actual performance results. It means that the digital transformation work should be supported by the organized innovative policies, such as research and development, process upgrades, and the usage of new technologies.

Digital transformation is also very important and can be maximized by the use of leadership strategies. The large moderating influence of leadership implies that the effects of digital initiatives on the performance could be reinforced by such transformational leadership styles as vision, adaptability, and employee empowerment. Digital preparedness should be propelled by leaders, knowledge sharing must be encouraged, and employee upskilling must take place to achieve a successful technological adoption. Moreover, the leadership must be aimed at achieving organizational goals in relation to sustainability goals, thus establishing a common way of digital and sustainable development.

Policy wise the findings suggest the necessity of favourable regulatory and institutional systems in the developing economies. The policymakers need to come up with and put in place policies that will enable the development of digital infrastructure, promote innovation and sustainable business practices. This involves offering incentives against the adoption of digital, assists small and medium enterprises (SMEs), in their digital transformation, and develops clear sustainability policies. This moderating role of policy integration is a pointer that organizations that work in well-coordinated policy setups have higher chances of realizing improved performance results. Thus, the government, industry players, and higher education institutions have to work collaboratively to establish an ecosystem that facilitates digital transformation and sustainability. All in all, the study indicates that an integrated strategy that would encompass managerial intervention, strong leadership, and conducive policy frameworks is

critical in capitalising on the digital transformation towards sustainable business performance in the emerging economies.

8. CONCLUSION

This paper analyses the correlation between digital transformation and sustainable business performance with special reference to the type of mediating process of innovation and moderating effects of leadership and policy integration in the emerging economies. The results indicate that digital transformation can strongly contribute to the sustainable business performance both directly and indirectly. Digital transformation is reported to convert into better performance results via innovation, which explains its importance in value creation in the organization. In addition, the findings reveal that policy integration and leadership enhance the influence of digital transformation on performance. Successful digital initiatives can be achieved through good leadership, whereas enabling policy environments can get them to be aligned to sustainability goals. All these results underline the significance of a comprehensive strategy that encompasses aspects of technological progress, ability to innovate, leadership and regulatory assistance.

Theoretically, this research adds to the body of existing research by justifying the combination of Resource-Based View, Dynamic Capabilities Theory, and Institutional Theory in explaining how the combination of internal and external factors can have a collective impact on sustainable business performance. In practice, the study can have useful implications to organizations and policymakers aiming to use digital transformation to achieve long-term sustainability and competitive advantage. To summarize, digital transformation becomes a pivotal driver of sustainable business performance, especially with such facilitating factors as innovation, effective leadership, and integration of policies. The study could be extended to other contextual aspects, diversification by industry, and longitudinal impacts in the future to further enrich the knowledge of digital transformation in dynamic business settings.

9. Limitations and Future Research

Although this study offers an important contribution to the body of knowledge on the correlation between digital transformation and sustainable business performance, it does have its limitations. To begin with, the study has limited scope due to its sample and geographic location. The data are gathered within the firm in the emerging economies that can limit the extrapolation of the results to developed economies or other institutional settings. The differences in the technological infrastructure, regulation, and organizational practices among regions can affect the relevance of the findings. Subsequent studies can build up on this study by making cross-country or cross-regional comparisons in order to prove the model in various economic environments. Second, there should be the methodological limitations. The research design is of a quantitative and cross-sectional nature, and consequently it is unable to give a dynamic understanding on change and cause and effect as time goes by. Structural Equation Modeling offers a powerful statistical tool, but does not adequately take into consideration the temporal impacts or changing organizational strategies. The longitudinal designs or mixed-method designs may be applied in the future in order to understand how the digital transformation can affect performance in the long-run and how it operates. Third, the research is dedicated to the particular group of variables such as innovation, leadership, and policy integration. Though the factors are reported to have been significant, the model does not include other factors that might be of relevance like organizational culture, technology preparedness, uncertainty in the environment and industry peculiarities. These other variables may be included into future studies to create a more detailed framework and increase the power to explain.

Another aspect is the fact that measurement of constructs is founded on perceptual information gathered via surveys, which could be biased by the respondent. Further studies can be improved with the use of objective performance measures or secondary data to enhance the accuracy of measurements and lower the levels of bias. All in all, though this study is a solid starting point to comprehending the place of digital transformation in sustainable business performance, future studies need to broaden their perspective, develop the methods, and investigate more contextual and moderating variables to contribute to the further development of the field.

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