

# Chapter 1

## Introduction

### Background and Significance of Research Problem

The digital economy has emerged as a crucial catalyst for global economic growth, driven by technological advancements and the fourth Industrial Revolution. According to the International Data Corporation (IDC) forecast, the output of the digital economy is projected to contribute to 62% of the global GDP by 2023, propelling the world into the era of digital economy. The transition from an industrial economy to a digital one is clearly evident, with data playing a pivotal role as a vital production factor. The amalgamation of digital technology with conventional methods is leading to profound technological changes. Moreover, digital productivity is facilitating the advancement of industrial organization logic and system through deepening reforms.

The development of the digital economy represents a strategic imperative and plays a crucial role in China's endeavor to expedite the establishment of a novel development paradigm, wherein the domestic cycle takes center stage, while the domestic and international cycles complement each other synergistically. The "14th Five-Year Plan for National Economic and Social Development of the People's Republic of China" has specifically outlined the action program of "Accelerating Digital Development and Building a Digital China" to steer China's future economic growth. This plan underscores the utilization of digital transformation tools to revolutionize people's lifestyles, industrial production methods, and government governance approaches. Moreover, it strategically positions industrial digital transformation as a means to foster new advantages in the digital economy's top-level design. Both national and local governments have taken proactive steps by issuing policies and opinions to promote industrial digital transformation and empower various sectors of society digitally, thus paving the way for innovative developments within enterprises.

As digitalization continues to advance, the financial industry has recognized the advantages of enhanced employee efficiency, optimized customer experience, and innovative solutions. Business revenue has experienced growth ranging from approximately 8% to 11%, while the cost structure has been optimized by about 25% to 35%. The digital model has significantly improved fund management efficiency and reduced costs compared to the traditional approach. Moreover, the adoption of

digital technology has lowered entry barriers in the financial industry and transformed the investment preferences of fund clients.

At the same time, artificial intelligence technology is also of great significance for digital transformation. Organizations use AI tools to analyze data and predict the future to develop effective decision-making strategies. According to a survey by Price water house coopers, about 86 percent of people believe AI is mainstream technology. In addition, AI tools can help any company increase revenue; For example, it can help companies identify areas of weakness and take advantage of accurate predictions of market trends, prospects and competitors. When AI makes decisions, they are far superior to those made by humans and are free of bias or emotion. Meanwhile, according to Accenture, artificial intelligence (AI) could increase profitability across industries by an average of 38 percent by 2035 and is expected to generate an additional \$14 trillion in revenue in the same year (Accenture, 2021).

Fintech companies and a variety of services have emerged, causing the rules of the game to quietly change. Digital transformation has become a new direction for fund management companies and economic development. As customers, channels, and competitors have all gone digital, fund management companies urgently needed to transform their traditional development mode and shape a new type of financial service business mode through digital transformation, which could improve the efficiency of various financial instruments, reduce operational risks, improve management levels, enhance service quality, improve customer experience, and facilitate the construction and development of a multi-level capital market.

## **Research Objectives**

1. To study the status and environments of A Fund Management Company in terms of digital transformation.
2. To conduct a SWOT analysis and digital transformation strategies of A Fund Management Company.
3. To propose guidelines to implement digital transformation strategies for A Fund Management Company.