# Article information:

R. Cheng - Digitalization and firm performance: channels and heterogeneities
[https://click.endnote.com/viewer?doi=10.1080%2F13504851.2022.2097178=WzcxNzQ1OSwiMTAuMTA4MC8xMzUwNDg1MS4yMDIyLjIwOTcxNzgiXQ.1c5EaaWova3ov62ah5mCrH6KKmc](https://click.endnote.com/viewer?doi=10.1080%2F13504851.2022.2097178&token=WzcxNzQ1OSwiMTAuMTA4MC8xMzUwNDg1MS4yMDIyLjIwOTcxNzgiXQ.1c5EaaWova3ov62ah5mCrH6KKmc)

# Article summary:

1. This paper develops a text-based measure of digitalization using firms’ annual reports to examine the effects of digitalization on firm performance.

2. The findings show that digitalization increases profitability in manufacturing firms by improving the efficiency of asset utilization to generate sales, yet it has no significant effects on overall profitability in service firms.

3. Digitalization enhances performance more for firms operating in highly competitive industries, smaller firms and firms with fewer skilled workers.

# Article rating:

May be slightly imbalanced: The article presents the information in a generally reliable way, but there are minor points of consideration that could be explored further or claims that are not fully backed by appropriate evidence. Some perspectives may also be omitted, and you are encouraged to use the research topics section to explore the topic further.

# Article analysis:

The article “R. Cheng - Digitalization and Firm Performance: Channels and Heterogeneities” is an empirical study examining the effects of digitalization on firm performance using a dataset covering Chinese manufacturing and service firms over the 2010–2019 period. The authors use a text-mining method to construct a measure of digitalization from annual reports and employ several measures of firm performance (ROA, ROS, ATR) to assess its impact.

The article is generally well written and provides a comprehensive overview of the research topic, including an introduction to the literature, data sources, methodology, results, and discussion. The authors also provide robustness checks for their main results by employing instrumental variable estimation, mediating models, alternative fixed effects models, etc., which adds credibility to their findings.

However, there are some potential biases that should be noted when evaluating this article's trustworthiness and reliability. First, the authors do not discuss any potential risks associated with digitalization or present any counterarguments to their findings; this could lead readers to draw overly optimistic conclusions about the benefits of digitalization without considering possible drawbacks or unintended consequences. Second, while the authors note that their sample includes both manufacturing and service firms from China over a 10-year period (2010–2019), they do not provide any information about how representative this sample is or whether it is large enough to draw meaningful conclusions about all Chinese firms during this time period; this could lead readers to overestimate the generalizability of their results beyond their specific sample population. Finally, while the authors provide evidence suggesting that digitalization enhances performance more for certain types of firms (e.g., those operating in highly competitive industries), they do not explore why these differences exist or what implications they may have for other types of businesses; this could lead readers to overlook important nuances in how different types of businesses may benefit differently from digitalization initiatives.

In conclusion, while “R. Cheng - Digitalization and Firm Performance

# Topics for further research:

* Digitalization risks
* Sample representativeness
* Differential effects of digitalization
* Unintended consequences of digitalization
* Impact of digitalization on different types of businesses
* Implications of digitalization for firms in competitive industries

# Report location:

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