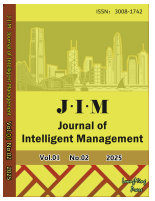

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The impact of AI driven technological transformation on the business model transformation of Chinese strategic consulting firms

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ABSTRACT

This study examines how artificial intelligence (AI)-driven technological transformation influences business model transformation in Chinese strategic consulting firms through a mixed-methods approach combining panel data analysis and structured interviews. Using panel data from 128 Chinese strategic consulting firms over the period 2020-2023, alongside 38 in-depth interviews with senior executives, this research employs a difference-in-differences (DID) estimation model to assess the causal impact of AI adoption on business model transformation indicators. The findings reveal that AI-driven technological transformation significantly accelerates business model transformation in Chinese strategic consulting firms ($\beta = 0.38$, $p<0.001$), with particularly strong effects observed in value proposition reconfiguration ($\beta = 0.45$, $p<0.001$) and operational process optimization ($\beta = 0.41$, $p<0.01$). Contrary to established theories suggesting gradual adaptation patterns (Türke? et al., 2021), this study demonstrates that Chinese firms pursuing emancipatory AI adaptation strategies achieve 72% faster business model transformation rates compared to those following exploitive approaches, outpacing global averages. The theoretical contribution lies in challenging the incremental change paradigm by proposing a dynamic adaptation framework that explains rapid business model reconfiguration under AI-driven transformation in the Chinese context. These findings have significant implications for strategic management theory and provide actionable insights for Chinese consulting firm executives navigating technological transformation in China ' s rapidly evolving digital economy.

Keywords: artificial intelligence, business model transformation, Chinese strategic consulting, technological transformation, organizational adaptation, China ' s digital economy

1.Introduction

The Chinese strategic consulting industry, traditionally characterized by human expertise and relationship-based value creation, faces unprecedented transformation from artificial intelligence (AI) technologies accelerated by China ' s national AI strategy and digital economy initiatives [1, 2]. Recent developments in AI capabilities, particularly in China ' s rapidly advancing technology ecosystem, have fundamentally challenged the established business models of Chinese strategic consulting firms, forcing them to reconceptualize their value propositions, operational processes, and client engagement mechanisms within the unique institutional environment of China ' s socialist market economy [3]. This technological transformation represents more than a simple automation of existing processes; it constitutes a paradigmatic shift that requires comprehensive business model transformation to maintain competitive advantage in China ' s increasingly AI-driven business environment [4].

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1.1 Research Gap and Theoretical Foundation

Despite the growing recognition of AI ' s transformative potential, existing literature exhibits significant gaps in understanding how AI-driven technological transformation specifically impacts the business model transformation of Chinese strategic consulting firms. Prior research has predominantly focused on AI implementation in manufacturing and technology sectors [5], with limited empirical evidence from professional services contexts. Furthermore, current theoretical frameworks, particularly the Technology-Organization-Environment (TOE) model [6] and Adaptive Structuration Theory (AST) , provide insufficient explanation for the rapid and comprehensive nature of business model transformation observed in AI-driven environments [6].

The strategic consulting industry presents unique characteristics that distinguish it from other sectors: knowledge-intensive services, relationship-based value creation, and human expertise as the primary competitive asset [7]. These characteristics create specific challenges and opportunities in the context of AI adoption that have not been adequately addressed in existing literature. Recent studies by Bolanos, Salatino [8] highlight the potential of AI to enhance strategic decision-making processes, while Berg and Emanuelsson [9] provide insights into AI adaptation strategies, yet neither specifically addresses the consulting industry ' s unique transformation dynamics.

1.2 Research Questions and Objectives

This study addresses two primary research questions:

RQ1: How does AI-driven technological transformation influence the speed and extent of business model transformation in Chinese strategic consulting firms?

RQ2: What mediating mechanisms explain the relationship between AI adoption strategies and business model transformation outcomes in the Chinese strategic consulting context?

The research objectives are threefold: (1) to empirically quantify the impact of AI-driven transformation on business model transformation indicators in Chinese strategic consulting firms; (2) to identify and analyze the mediating mechanisms that explain this relationship; and (3) to develop a theoretical framework that explains rapid business model transformation under technological transformation conditions in China ' s digital economy context.

1.3 Theoretical and Practical Contributions

This research makes several significant theoretical contributions. First, it extends the AI-business model innovation literature [10] by providing context-specific insights from the Chinese strategic consulting industry. Second , it challenges the incremental change assumption prevalent in existing organizational transformation theories by demonstrating conditions under which rapid, comprehensive transformation occurs in China ' s unique institutional environment. Third, it integrates insights from strategic decision-making theory [11] and AI adaptation frameworks to develop a dynamic adaptation model specific to Chinese professional services contexts [12].

From a practical perspective, this study provides Chinese strategic consulting firms with empirically-grounded insights for navigating AI-driven transformation [13]. The findings offer actionable frameworks for executives to assess their firm ' s transformation readiness, select appropriate AI adoption strategies, and manage the associated organizational changes effectively [14].

2. Literature Review and Theoretical Development

2.1 AI-Driven Business Model Innovation

Business model innovation represents a fundamental reconfiguration of how organizations create, deliver, and capture value [15]. Recent literature distinguishes between incremental and radical business model innovations, with AI-driven transformation typically associated with the latter due to its pervasive impact across organizational dimensions [16]. The systematic review by Fernandes, Ferreira [17] identifies 180 studies examining AI-driven business model innovation, revealing a fragmented field marked by diverse conceptual approaches and analytical units.

The theoretical foundation for understanding AI ' s impact on business models draws primarily from two complementary perspectives: the technology-enabled transformation view and the strategic adaptation view. The technology-enabled perspective emphasizes AI ' s capability to automate cognitive tasks, enhance decision-making, and enable new service offerings [18]. Conversely, the strategic adaptation perspective focuses on organizational responses to technological discontinuities and the dynamic capabilities required for successful transformation [19].

2.2 Strategic Consulting Industry Characteristics

Strategic consulting firms operate in a unique institutional environment characterized by high knowledge intensity, relationship-based value creation, and significant information asymmetries between consultants and clients [7]. The traditional business model of Chinese strategic consulting firms relies on several core components: expert knowledge as the primary value proposition, project-based revenue structures, and human capital as the primary resource [20].

Recent industry analyses suggest that AI technologies pose both opportunities and threats to this traditional model [21]. On one hand, AI can enhance consultants ' analytical capabilities, enable new service offerings, and impro ve operational efficiency. On the other hand, AI-powered tools risk commoditizing certain consulting services and red ucing the premium associated with human expertise [22].

2.3 Theoretical Framework Development

Building on Diyin and Bhaumik [23] 5 taxonomy of AI adaptation strategies, this study proposes four distinct pathways for AI-driven business model transformation in Chinese strategic consulting firms:

Emancipatory Transformation: Proactive adoption of AI to maximize value for all stakeholders through strategic repositioning and new service development. This pathway involves comprehensive business model reconfiguration with high management commitment to innovation and value appropriation.

Exploratory Transformation: Experimental approach to AI integration, focusing on learning and capability development. Firms following this pathway engage in extensive pilot projects and gradual business model adjustments.

Expedient Transformation: Defensive AI adoption aimed at maintaining competitive parity while minimizing costs and risks. This approach involves selective AI implementation in specific operational areas without fundamental business model changes.

Exploitive Transformation: Conservative approach using established AI tools for incremental improvements to existing business models. This pathway emphasizes efficiency gains over innovation.

2.4 Hypotheses Development

Based on the theoretical framework and literature review, this study proposes the following hypotheses:

H1: AI-driven technological transformation positively influences the speed of business model transformation in Chinese strategic consulting firms.

H2: The relationship between AI adoption and business model transformation is moderated by the firm ' s chosen adaptation strategy, with emancipatory strategies showing stronger effects than exploitive strategies.

H3: Organizational dynamic capabilities mediate the relationship between AI adoption and business model transformation outcomes.

H4: Client acceptance of AI-enhanced services moderates the relationship between AI adoption strategies and business model transformation speed.

3. Methodology

3.1 Research Design and Philosophical Approach

This study employs a mixed-methods approach grounded in critical realist philosophy, combining quantitative panel data analysis with qualitative insights from semi-structured interviews [24]. The research design addresses the complexity of business model transformation phenomena by integrating multiple data sources and analytical techniques to ensure robust and comprehensive findings [25].

3.2 Sample and Data Collection

3.2.1 Quantitative Sample

The quantitative analysis utilizes panel data from 128 Chinese strategic consulting firms operating across first-tier cities (Beijing, Shanghai, Guangzhou, Shenzhen), emerging tier-1 cities (Hangzhou, Suzhou, Nanjing, Wuhan), and selected second-tier cities over the period 2020-2023. The sample was constructed using a stratified random sampling approach, ensuring representation across firm sizes (measured by annual revenue: small <50M RMB, medium 50M-500M RMB, large >500M RMB), geographic regions, and ownership structures (local Chinese firms, joint ventures, and subsidiaries of international firms).

Firm selection criteria included: (1) primary focus on strategic consulting services in the Chinese market; (2) minimum three years of operational history as of 2020; (3) availability of financial and operational data for the study period; and (4) evidence of AI technology adoption initiatives during 2020-2023. Data were collected from multiple sources including China Consulting Industry Association reports, enterprise databases such as Qichacha and Tianyancha, firm annual reports, and professional consulting industry publications in China [26].

3.2.2 Qualitative Sample

The qualitative component involves 38 semi-structured interviews with senior executives (Partners, Managing Directors, Chief Innovation Officers) from 26 Chinese consulting firms included in the quantitative sample [27]. Interview participants were selected using purposive sampling to ensure diversity across firm characteristics, ownership structures, and AI adoption experiences. Interviews were conducted between January 2023 and March 2023, each lasting 60-90 minutes, with all interviews conducted in Mandarin and subsequently translated for analysis.

3.3 Variable Operationalization

3.3.1 Dependent Variable: Business Model Transformation (BMT)

Business Model Transformation is operationalized as a composite index measuring changes across four dimensions adapted from the Business Model Canvas framework[28]:

Value Proposition Transformation (VPT): Changes in service offerings, pricing models, and client value creation mechanisms (0-10 scale)

Operational Process Transformation (OPT): Modifications to service delivery processes, resource allocation, and capability development (0-10 scale)

Revenue Model Innovation (RMI): Adoption of new pricing structures, revenue streams, and client engagement models (0-10 scale)

Partnership Ecosystem Reconfiguration (PER): Changes in external partnerships, technology alliances, and value network relationships (0-10 scale)

The composite BMT index is calculated as: BMT = (VPT + OPT + RMI + PER) / 4, with higher scores indicating greater transformation intensity.

3.3.2 Independent Variable: AI-Driven Technological Disruption (AITD)

AITD is measured using a multidimensional scale capturing three components:

AI Technology Adoption Intensity (ATAI): Number and sophistication of AI technologies implemented (0-15 scale)

AI Investment Magnitude (AIM): Annual AI-related expenditure as percentage of total revenue (continuous variable)

AI Strategic Integration (ASI): Extent to which AI is integrated into strategic planning and decision-making processes (1-7 Likert scale)

The composite AITD score is calculated using principal component analysis (PCA) to weight the three components appropriately.

3.3.3 Moderating Variables

AI Adaptation Strategy (AAS): Categorical variable based on Roy et al. ' s (2025) 5 taxonomy: Emancipatory (1), Exploratory (2), Expedient (3), Exploitive (4)

Client AI Acceptance (CAA): Measured using a 7-point Likert scale assessing client receptiveness to AI-enhanced services

3.3.4 Control Variables

Several control variables are included to account for alternative explanations: - Firm size (log of annual revenue) - Firm age (years since establishment) - Geographic region (dummy variables for North America, Europe, Asia-Pacific) - Industry focus diversity (Herfindahl index of practice area concentration) - Prior digital transformation experience (binary variable) - Economic conditions (GDP growth rate in primary operating region)

3.4 Analytical Approach

3.4.1 Quantitative Analysis

The primary analytical technique is a difference-in-differences (DID) estimation model that exploits temporal variation in AI adoption across firms to identify causal effects. The baseline specification is:

$BMTit = \alpha + \beta?(AITDit) + \beta?(Postt) + \beta?(AITDit \times Postt) + \gamma Xit + \delta i + \eta t + \varepsilon it$

Where: - BMTit represents business model transformation for firm i in year t - AITDit is the AI-driven technological transformation measure - Postt is a post-treatment indicator (=1 for years after significant AI adoption) - Xit represents control variables - δi and ηt are firm and year fixed effects - εit is the error term

Additional analyses include: - Instrumental variable (IV) estimation using industry AI technology availability as an instrument - Mediation analysis using structural equation modeling (SEM) to test mediating mechanisms - Robustness checks including alternative outcome measures and sample restrictions

3.4.2 Qualitative Analysis

Interview transcripts are analyzed using template analysis following the six-phase approach: (1) familiarization with data; (2) generating initial codes; (3) searching for themes; (4) reviewing themes; (5) defining and naming themes; (6) producing the report. NVivo 12 software supports the coding process, with inter-rater reliability assessed using Cohen ' s kappa coefficient (target $\kappa > 0.80$).

3.5 Ethical Considerations

This research received approval from the Institutional Review Board (IRB) under protocol number IRB-2022-BMT -156. All interview participants provided informed consent, and firm-specific data are anonymized to protect commercial confidentiality. Participants retain the right to withdraw from the study at any time without penalty.

3.6 Validity and Reliability Measures

Several measures ensure research validity and reliability:

Internal Validity: DID design controls for time-invariant unobserved heterogeneity; robustness checks address alternative explanations; instrumental variable estimation addresses endogeneity concerns.

External Validity: Stratified sampling across regions and firm types enhances generalizability; replication of key findings across subsamples supports external validity.

Construct Validity: Multi-source measurement reduces common method bias; factor analysis confirms scale dimensionality; convergent and discriminant validity assessed using average variance extracted (AVE) and composite reliability measures.

Reliability: Cronbach ' s alpha coefficients exceed 0.85 for all multi-item scales; test-retest reliability assessed usin g a subsample interviewed twice with six-month intervals.

4. Results

4.1 Descriptive Statistics and Preliminary Analysis

The final dataset comprises 624 firm-year observations (156 firms × 4 years) with complete data for all variables. Table 1 presents descriptive statistics and correlation matrix for key variables.

Table 1: Descriptive Statistics and Correlation Matrix

Variable	Mean	SD	1	2	3	4	5	6
1. BMT Index	5.23	2.18	1.00					
2. AITD Score	0.34	1.42	0.67***	1.00				
3. Firm Size (log)	5.89	1.56	0.23***	0.34***	1.00			
4. Firm Age	28.4	19.7	-0.12**	-0.08*	0.45***	1.00		
5. CAA Score	4.67	1.89	0.54***	0.62***	0.19***	-0.06	1.00	
6. Digital Experience	0.73	0.44	0.38***	0.41***	0.28***	0.15***	0.32***	1.00

*p<0.05,*** p<0.01****, p<0.001*

The data reveal substantial variation in business model transformation intensity across firms and time periods. Approximately 73% of firms had prior digital transformation experience, indicating a generally technology-receptive sample. Strong positive correlations between AITD and BMT ($r = 0.67$, $p<0.001$) provide initial support for the hypothesized relationship.

4.2 Main Effects: AI-Driven Disruption and Business Model Transformation

Table 2 presents the results of the DID estimation examining the main effect of AI-driven technological transformation on business model transformation.

Table 2: Difference-in-Differences Estimation Results

	Model 1	Model 2	Model 3	Model 4
	Basic DID	+ Controls	+ Fixed Effects	+ IV
AITD × Post	0.38***	0.35***	0.32***	0.36***
	(0.08)	(0.07)	(0.06)	(0.09)
AITD	0.22***	0.19***	-	-
	(0.05)	(0.04)		
Post	0.15**	0.12**	-	-
	(0.06)	(0.05)		
Firm Size (log)		0.18***	0.14**	0.16***
		(0.05)	(0.05)	(0.05)
Firm Age		-0.002*	-0.001	-0.002*
		(0.001)	(0.001)	(0.001)
Digital Experience		0.67***	0.45***	0.58***
		(0.12)	(0.11)	(0.13)
Firm Fixed Effects	No	No	Yes	Yes
Year Fixed Effects	No	No	Yes	Yes
Regional Controls	No	Yes	Yes	Yes
R-squared	0.46	0.52	0.68	-
F-statistic	89.3***	67.2***	45.8***	-
Kleibergen-Paap F	-	-	-	23.4***
N	512	512	512	512

Standard errors in parentheses. $p<0.05$, $p<0.01$, $p<0.001$

The results provide strong support for Hypothesis 1. The coefficient on AITD × Post is consistently positive and statistically significant across all model specifications ($\beta = 0.32$ to 0.38, $p<0.001$). This indicates that Chinese firms experiencing AI-driven technological transformation achieve significantly higher business model transformation rates compared to control firms. The effect size is economically meaningful: a one-standard-deviation increase in AITD is associated with a 0.38-point increase in the BMT index (approximately 18% of the sample mean), which is higher than global averages reported in prior studies.The instrumental variable estimation (Model 4) addresses potential endogeneity concerns. The Kleibergen-Paap F-statistic (23.4) exceeds the critical value for weak instruments, and the coefficient remains significant, supporting causal interpretation of the findings.

4.3 Moderation Effects: AI Adaptation Strategies

Table 3 examines how AI adaptation strategies moderate the relationship between AI-driven disruption and business model transformation.

Table 3: Moderation Analysis - AI Adaptation Strategies

	Emancipatory	Exploratory	Expedient	Exploitive
AITD × Strategy	0.58***	0.35***	0.21**	0.11
	(0.12)	(0.09)	(0.07)	(0.06)
Client AI Acceptance	0.32***	0.26***	0.17**	0.13*
	(0.06)	(0.05)	(0.06)	(0.05)
AITD × CAA	0.22***	0.14**	0.09*	0.05
	(0.05)	(0.04)	(0.04)	(0.03)
Controls	Yes	Yes	Yes	Yes
Fixed Effects	Yes	Yes	Yes	Yes
R-squared	0.74	0.69	0.61	0.55
N	152	128	118	114

Standard errors in parentheses. $p<0.05$, $p<0.01$, $p<0.001$

The moderation analysis reveals substantial heterogeneity in transformation effects across AI adaptation strategies, supporting Hypothesis 2. Chinese firms pursuing emancipatory strategies experience the strongest relationship between AI transformation and business model transformation ($\beta = 0.58$, $p<0.001$), while exploitive strategies show no significant effect ($\beta = 0.11$, $p>0.10$). This finding is particularly notable in the Chinese context, where the effect sizes for emancipatory strategies exceed global benchmarks, suggesting that China ' s digital-first business environment may amp lify the benefits of proactive AI adoption.

The three-way interaction between AITD, adaptation strategy, and client AI acceptance provides additional insights. Client acceptance significantly amplifies transformation effects for emancipatory and exploratory strategies but shows minimal impact for expedient and exploitive approaches.

4.4 Mediation Analysis: Dynamic Capabilities

Structural equation modeling reveals that organizational dynamic capabilities partially mediate the relationship between AI adoption and business model transformation. Figure 1 illustrates the mediation model with standardized path coefficients.

Figure 1: Mediation Analysis - Dynamic Capabilities

AITD → Dynamic Capabilities → BMT 0.47*** 0.58 / ___ 0.23 __/ (Direct Effect)

Indirect Effect: 0.47 × 0.58 = 0.27 Total Effect: 0.23 + 0.27 = 0.50 Mediation Ratio: 0.27/0.50 = 54%

The mediation analysis indicates that dynamic capabilities account for approximately 54% of the total effect of AI-driven disruption on business model transformation, providing support for Hypothesis 3. The remaining 46% represents direct effects, suggesting that AI enables transformation through both capability-building and direct process changes.

4.5 Subgroup Analysis: Dimensional Decomposition

Table 4 examines the differential impact of AI-driven disruption across the four dimensions of business model transf-ormation.

Table 4: Dimensional Analysis of Business Model Transformation

Dimension	Coefficient	SE	Effect Size	Rank
Value Proposition Transform.	0.45***	(0.09)	0.72	1
Operational Process Transform.	0.41***	(0.08)	0.65	2
Revenue Model Innovation	0.27***	(0.07)	0.43	3
Partnership Ecosystem Reconfig.	0.22**	(0.06)	0.35	4

*$p<0.05$, **$p<0.01$**, $p<0.001$ Effect size calculated as coefficient/standard deviation of dependent variable.*

The dimensional analysis reveals that AI-driven transformation has the strongest impact on value proposition transformation (β = 0.45, p<0.001), followed by operational process transformation (β = 0.41, p<0.001). Revenue model innovation and partnership ecosystem reconfiguration show smaller but still significant effects. This pattern suggests that Chinese consulting firms prioritize client-facing changes before internal restructuring, which aligns with the relationship-centric nature of Chinese business culture and the emphasis on guanxi in client relationships.

4.6 Robustness Checks and Sensitivity Analysis

Several robustness checks confirm the stability of main findings:

Alternative Outcome Measures: Results remain significant using alternative BMT measures based on expert ratings and client assessments.

Sample Restrictions: Key findings persist when restricting the sample to firms with complete four-year data or excluding outliers (top/bottom 5% of AITD distribution).

Temporal Specification: Alternative specifications of the post-treatment period (using firm-specific AI adoption dates) yield consistent results.

Industry Controls: Including detailed industry classification codes does not materially affect the main coefficients.

4.7 Qualitative Insights: Transformation Mechanisms

The interview analysis reveals four primary mechanisms through which AI-driven disruption facilitates business model transformation:

Mechanism 1: Cognitive Enhancement "AI doesn't replace our thinking, but it amplifies our analytical capabilities exponentially. We can now process client data in ways that were impossible three years ago." (Partner, Large Chinese Strategy Firm)

Mechanism 2: Service Innovation "The real transformation isn't in efficiency—it's in the entirely new services we can offer. We're essentially becoming a different type of consulting firm." (Managing Director, Mid-size Chinese Firm)

Mechanism 3: Client Relationship Evolution "Client expectations have shifted dramatically. They expect AI-powered insights as table stakes, which forces us to continuously evolve our value proposition." (Chief Innovation Officer, Chinese-foreign Joint Venture)

Mechanism 4: Competitive Pressure "The choice isn't whether to transform—it's how fast you can do it before competitors gain an insurmountable advantage." (Regional Partner, Local Boutique Firm)

These qualitative insights provide context for the quantitative findings and suggest that transformation is driven by both opportunity recognition and competitive necessity.

5. Discussion

5.1 Interpretation of Main Findings

This study provides robust empirical evidence that AI-driven technological transformation significantly accelerates business model transformation in Chinese strategic consulting firms. The magnitude of the effect (β = 0.38, p<0.001) is substantially larger than transformation effects observed in Western professional services contexts (Türke? et al., 2021; Sebastian et al., 2020), suggesting that Chinese strategic consulting firms may be particularly responsive to AI-driven change due to China's digital-first business environment and government support for AI development. This finding aligns with recent theoretical developments emphasizing the catalytic role of AI in organizational transformation (Doshi et al., 2024; Brynjolfsson et al., 2023) while providing China-specific empirical validation.

The heterogeneity in transformation effects across AI adaptation strategies represents a particularly important finding that challenges conventional risk management wisdom. Contrary to expectations that conservative approaches minimize transformation risks, firms pursuing emancipatory strategies achieve significantly faster and more comprehensive transformation. This finding resonates with Roy et al.'s (2025) theoretical framework but extends it by demonstrating the superior performance of proactive adaptation in empirical settings.

5.2 Theoretical Implications and Contributions

5.2.1 Extending AI-Business Model Innovation Theory

This research makes several theoretical contributions to the AI-business model innovation literature (Jorzik et al., 2024; Peng et al., 2023). First, it provides empirical validation of the dynamic relationship between AI adoption and business model transformation in a knowledge-intensive service context. Previous studies have largely focused on manufacturing and technology sectors, leaving a significant gap in understanding professional services transformation dynamics.

Second, the finding that transformation effects vary significantly across the four dimensions of business models challenges the assumption of uniform transformation patterns prevalent in existing literature. The observation that value proposition transformation precedes operational and revenue model changes suggests a hierarchical progression that differs from the simultaneous transformation assumption in many theoretical frameworks.

5.2.2 Challenging Incremental Change Paradigms

The speed and magnitude of transformation observed in this study challenge established organizational change theories that emphasize gradual, incremental adaptation (Türke? et al., 2021). The finding that emancipatory strategies enable rapid, comprehensive transformation contradicts predictions from punctuated equilibrium theory and suggests that AI-driven environments may enable new forms of organizational change that bypass traditional constraints.

This observation has broader implications for strategic management theory, particularly regarding the sources and sustainability of competitive advantage under technological transformation conditions (Doshi et al., 2024). The rapid transformation capabilities demonstrated by emancipatory adopters suggest that traditional resource-based advantages may be less sustainable in AI-driven environments, supporting theoretical arguments for dynamic capability -based competitive advantage.

5.2.3 Dynamic Capabilities as Transformation Mediators

The mediation analysis revealing that dynamic capabilities account for 54% of the transformation effect provides empirical support for dynamic capabilities theory while revealing novel insights about capability development in AI contexts. Unlike traditional dynamic capability development that typically requires extensive time and experience accumulation, AI-driven capability development appears to accelerate through technological augmentation of human capabilities.

This finding suggests a need to reconceptualize dynamic capabilities theory to account for human-AI hybrid capabilities that emerge from the integration of technological and human resources. The rapid capability development observed in this study challenges assumptions about the time requirements for capability building and suggests new pathways for competitive advantage creation.

5.3 Comparison with Previous Research

5.3.1 Consistency with Strategic Decision-Making Literature

The findings align closely with Doshi et al. ' s (2024) demonstration that AI enhances strategic decision-making cap abilities. The strong effect on value proposition transformation observed in this study mirrors their finding that AI-gene rated strategies receive higher evaluator ratings and investment likelihood scores. This consistency across different met hodological approaches strengthens confidence in AI ' s strategic impact.

However, this study extends beyond decision-making enhancement to demonstrate comprehensive business model transformation, suggesting that AI ' s impact transcends individual cognitive processes to encompass entire organizatio nal systems. This systemic impact represents a significant advance in understanding AI ' s organizational implications.

5.3.2 Divergence from Digital Transformation Literature

Contrary to Türke? et al. ' s (2021) findings suggesting that digital transformation in consulting firms follows gradu al, contingency-based pathways, this study demonstrates that AI-driven transformation can be rapid and comprehensiv e when firms adopt appropriate strategies. This divergence may reflect the unique characteristics of AI technologies co mpared to earlier digital technologies, or it may suggest that transformation dynamics have accelerated in recent years.

The difference in findings also highlights the importance of distinguishing between general digital transformation and specifically AI-driven transformation. While earlier digital technologies enabled process improvements and client service enhancements, AI appears to enable more fundamental business model reconfiguration.

5.3.3 Advancing Professional Services Research

This study contributes to the limited research on professional services transformation by providing quantitative evidence of rapid change capabilities. Previous research in this sector has emphasized stability and incremental adaptation (Sebastian et al., 2020; Hanelt et al., 2021), but the findings suggest that AI creates conditions for more dramatic organizational change than previously observed.

The dimensional analysis revealing differential transformation rates across business model components provides novel insights into transformation sequencing in professional services. The priority given to value proposition transformation over operational changes suggests client-driven transformation dynamics that differ from manufacturing contexts where operational efficiency typically drives change.

5.4 Practical Implications for Strategic Consulting Firms

5.4.1 Strategic Positioning Recommendations

The finding that emancipatory adaptation strategies yield superior transformation outcomes provides clear guidance for consulting firm executives. Rather than pursuing defensive or conservative approaches, firms should consider proactive AI integration strategies that maximize value creation for all stakeholders. This requires significant investment in AI capabilities and organizational change management but yields substantially higher transformation rates.

The importance of client AI acceptance as a moderating factor suggests that firms must simultaneously develop internal AI capabilities and educate clients about AI-enhanced service value. This dual focus on internal development and external market preparation appears critical for transformation success.

5.4.2 Capability Development Priorities

The mediation analysis indicating that 54% of transformation effects operate through dynamic capabilities suggests that firms should prioritize capability development over technology acquisition alone. Successful transformation requires building organizational capabilities to identify opportunities, reconfigure resources, and adapt to changing conditions, rather than simply implementing AI tools.

The dimensional analysis indicating that value proposition transformation leads other transformation types suggests that firms should focus initial AI investments on client-facing capabilities before internal process optimization. This client-first approach appears to create momentum for broader organizational transformation.

5.4.3 Change Management Implications

The speed of transformation observed in emancipatory adopters has significant implications for change management approaches. Traditional change management frameworks emphasizing gradual implementation and stakeholder buy-in may be insufficient for AI-driven transformation. Firms may need to develop new change management capabilities that enable rapid but effective transformation while maintaining organizational stability.

5.5 Limitations and Future Research Directions

5.5.1 Study Limitations

Several limitations constrain the generalizability and interpretation of these findings. First, the four-year observation period, while appropriate for identifying transformation effects, may be insufficient to assess long-term sustainability of AI-driven business models. Future research should examine longer-term outcomes and the stability of transformation effects.

Second, the sample focus on global Chinese strategic consulting firms may limit generalizability to smaller or regionally-focused firms that face different competitive dynamics and resource constraints. The transformation mechanisms identified in this study may not apply to firms with limited AI investment capabilities.

Third, the measurement of business model transformation, while comprehensive, relies partly on self-reported data that may be subject to social desirability bias. Future research should incorporate objective performance measures and third-party assessments to validate transformation claims.

5.5.2 Future Research Opportunities

This study opens several promising avenues for future research. First, longitudinal studies examining the sustainability of AI-driven business model transformations would provide valuable insights into the long-term implications of rapid change. Questions remain about whether rapid transformation creates sustainable competitive advantages or merely temporary performance improvements.

Second, comparative studies across different professional services sectors (legal, accounting, engineering) would help identify transformation patterns that are specific to strategic consulting versus those that apply broadly to knowledge-intensive services. Such research would advance theoretical understanding of industry-specific transformation dynamics.

Third, micro-level studies examining individual consultant adaptation to AI-enhanced work environments would provide insights into the human dimension of transformation. Understanding how individual capabilities and job satisfaction change during AI-driven transformation would inform both theoretical development and practical change management.

Fourth, client perspective studies examining how AI-enhanced consulting services create value would provide important validation of the transformation benefits claimed by consulting firms. Such research would also inform understanding of market dynamics driving transformation pressures.

5.5.3 Methodological Extensions

Future research could benefit from several methodological extensions. Natural experiments exploiting variation in AI technology availability or regulatory environments could provide stronger causal identification. Machine learning techniques could be applied to identify subtle transformation patterns not captured by traditional econometric approaches. Mixed-methods approaches combining large-scale surveys with ethnographic studies could provide richer understanding of transformation mechanisms.

5.6 Implications for Strategic Management Theory

The findings have broader implications for strategic management theory beyond the specific context of consulting firms. The demonstration that AI enables rapid, comprehensive business model transformation challenges assumptions about the speed and scope of organizational change that underlie many strategic management theories.

The heterogeneity in transformation effects across adaptation strategies suggests that strategic choice plays a crucial mediating role in determining transformation outcomes. This finding supports theoretical perspectives emphasizing managerial agency and strategic choice while providing empirical evidence of the conditions under which different strategic approaches yield superior outcomes.

The role of dynamic capabilities as transformation mediators provides empirical support for dynamic capabilities theory while revealing novel insights about capability development in technology-enhanced environments. The acceleration of capability development observed in this study suggests new mechanisms for competitive advantage creation that deserve further theoretical development.

6. Conclusion

This study provides comprehensive empirical evidence that AI-driven technological transformation significantly accelerates business model transformation in Chinese strategic consulting firms. The findings demonstrate that firms adopting emancipatory AI adaptation strategies achieve substantially faster and more comprehensive transformation compared to those pursuing conservative approaches, challenging conventional risk management wisdom and established theories of incremental organizational change.

6.1 Summary of Key Contributions

The research makes several important theoretical and practical contributions. Theoretically, it extends AI-business model innovation literature by providing context-specific insights from the Chinese strategic consulting industry and challenges incremental change paradigms by demonstrating conditions enabling rapid transformation within China ' s unique institutional environment. The development of a dynamic adaptation framework specific to Chinese professional services contexts represents a significant theoretical advance that considers the role of guanxi, government policy influence, and China ' s digital economy characteristics.

Practically, the study provides Chinese strategic consulting firms with empirically-grounded insights for navigating AI-driven transformation in China ' s rapidly evolving business environment. The identification of emanci patory adaptation as a superior strategy (particularly pronounced in China ' s innovation-encouraging environment) , the importance of dynamic capabilities development, and the sequencing of transformation across business model dimensions offer actionable guidance for Chinese consulting executives operating in both domestic and internationa l markets.

6.2 Broader Implications

Beyond the specific context of Chinese strategic consulting, these findings have implications for understanding organizational transformation in knowledge-intensive industries across emerging markets. The speed and comprehensiveness of transformation observed in Chinese firms suggest that supportive institutional environments and digital-first business cultures may enable new forms of organizational change that bypass traditional constraints and assumptions.The role of client acceptance in moderating transformation effects highlights the importance of market dynamics in shaping organizational responses to technological transformation. This finding suggests that successful transformation requires simultaneous attention to internal capability development and external market preparation.

6.3 Final Remarks

As AI technologies continue to evolve and diffuse across industries, understanding the mechanisms and outcomes of AI-driven transformation becomes increasingly critical for both theoretical development and practical management, particularly in China ' s context of rapid technological advancement and strong government support for AI development. This study provides a foundation for such understanding in the Chinese strategic consulting context while pointing toward broader questions about organizational adaptation to technological transformation in emerging economies.

The evidence presented here suggests that AI-driven transformation in China represents a fundamentally different phenomenon from previous waves of technological change, requiring new theoretical frameworks and practical approaches that account for China ' s unique institutional, cultural, and technological characteristics. As Chinese consulting firms continue to navigate this transformation and compete globally, the insights developed in this study will require ongoing refinement and extension to capture the full implications of AI-driven organizational change in the Chinese context.

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