Paradigm Academic Press
Law and Economy
ISSN 2788-7049
JUN. 2025 VOL.4, NO.5

Digital Transformation and Data Privacy and Security: Challenges and Strategies for Enterprises

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doi:10.63593/LE.2788-7049.2025.06.007

Abstract

This paper investigates the challenges of data privacy and security faced by enterprises during digital transformation and proposes corresponding strategies. Through theoretical analysis and empirical research, the study explores the impact of data privacy regulations on digital transformation and how enterprises can protect data privacy and security through technological means and management measures. The results indicate that effective data privacy and security strategies can significantly reduce the risk of data leakage, enhance corporate trustworthiness, and boost market competitiveness. Specifically, enterprises that implement data encryption, access control, and data backup can reduce the risk of data leakage by 50% and increase customer trust by 40%. (Myeka, P.K.R., 2025)

Keywords: data privacy, data security, digital transformation, corporate challenges, data encryption, access control, data backup, regulatory compliance, management strategies, technological means, corporate trustworthiness, market competitiveness, case analysis

1. Introduction

1.1 Research Background

With the rapid development of information technology, digital transformation has become an inevitable trend for global enterprises. By introducing advanced technologies such as big data, artificial intelligence, and cloud computing, enterprises optimize their business processes, improve operational efficiency, and enhance customer experience to stand out in fierce market competition. However, while digital transformation brings numerous opportunities, it also poses severe challenges to data privacy and security. Data, as the core asset of digital transformation, directly affects the survival and development of enterprises. In recent years, frequent data leakage incidents have not only caused significant economic losses but also severely damaged corporate reputations and customer trust.

1.2 Research Objectives

This study aims to explore the challenges of data privacy and security faced by enterprises during digital transformation and to propose feasible strategies. The research will analyze the specific impact of data privacy regulations on digital transformation, including compliance costs, compliance risks, and regulatory constraints on corporate operations. Additionally, the study will investigate how enterprises can protect data privacy and security through technological means and management measures. Through case analysis, the study will evaluate the actual effects of implementing data privacy and security strategies, including the reduction in data leakage risks, the increase in customer trust, and changes in market competitiveness, providing practical guidance for enterprises.

1.3 Research Content

To achieve the above objectives, this study will focus on several core aspects. First, it will systematically identify the challenges of data privacy and security faced by enterprises during digital transformation, including technological, managerial, and regulatory challenges. Second, the study will delve into the principles, application scenarios, and implementation effects of technological means such as data encryption, access control, data backup and recovery, and security auditing. Furthermore, the study will explore how enterprises can ensure data privacy and security through management measures, such as establishing data privacy management systems, enhancing personnel training and awareness, formulating data privacy and security policies, and strengthening third-party cooperation management. The study will also analyze the current status of domestic and international data privacy regulations and standards, and investigate how enterprises can effectively comply with these regulations and standards during digital transformation to reduce compliance risks. Finally, the study will select representative technology and financial enterprises and conduct in-depth analyses of their data privacy and security practices to assess the actual effects of implementing data privacy and security strategies, summarize successful experiences and lessons learned, and provide references for other enterprises.

2. Literature Review

2.1 Theoretical Foundations of Digital Transformation

Digital transformation is the process by which enterprises use information technology to comprehensively upgrade their business models, operational processes, organizational structures, and customer experiences. Its core lies in the deep utilization of data and the integration of information technology. Through big data analytics, artificial intelligence, the Internet of Things, and cloud computing, enterprises can drive data-driven decision-making, business process automation, and personalized customer experiences. The stages of digital transformation range from basic digitalization to process automation, data analytics-driven operations, and ultimately full-scale intelligence. This process involves a cultural shift within the enterprise, emphasizing innovation and rapid response to market changes.

2.2 Theoretical Framework of Data Privacy and Security

Data privacy and security are integral components of digital transformation. Data privacy focuses on the confidentiality, integrity, and availability of personal or organizational data, ensuring that data is not accessed, used, or disclosed without authorization. Its scope is extensive, covering personal identity information, financial information, health information, and more. Data security, on the other hand, is concerned with protecting data from malicious attacks, data loss, and tampering. It involves technological means such as identity authentication, access control, data encryption, and backup and recovery. Regulations and standards are crucial references for data privacy and security. International regulations such as the General Data Protection Regulation (GDPR) and domestic laws such as China’s Data Security Law and Personal Information Protection Law provide a clear compliance framework for enterprises, requiring them to adhere to principles of legality, propriety, and necessity in data processing.

2.3 Existing Research on Corporate Data Privacy and Security

In existing research on corporate data privacy and security, scholars have widely discussed the impact of data privacy regulations on corporate operations, with compliance costs and risks being significant topics. The effectiveness of technological means such as data encryption and access control has been extensively explored, and management measures such as establishing data privacy management systems, enhancing personnel training, and formulating security policies have also received attention. However, there are still gaps in the research, particularly in the practices of multinational enterprises regarding data privacy and security, the impact of new technologies on data privacy, and the adaptability of corporate culture, which require further in-depth investigation.

3. Challenges of Data Privacy and Security in Digital Transformation

3.1 Regulatory Challenges

Digital transformation offers unprecedented opportunities for enterprises but also brings numerous challenges to data privacy and security. In terms of regulations, data privacy laws worldwide are becoming increasingly stringent, imposing significant compliance pressures on enterprises. For example, the European Union’s General Data Protection Regulation (GDPR) and China’s Data Security Law and Personal Information Protection Law have set strict requirements for data processing by enterprises. Taking the multinational technology company “Hongguang Technology” as an example, the company faced simultaneous investigations by regulatory authorities in China and the EU due to its failure to meet the dual compliance requirements during data cross-border transmission, resulting in reputational damage, a decline in stock prices, and a substantial increase in operational costs. Statistics show that since the implementation of the Personal Information Protection Law, the number of enterprises penalized for data privacy issues in China has increased by 150% year-on-year in 2022, with total fines exceeding 1 billion yuan. (Myeka, P.K.R., 2025)

3.2 Technological Challenges

On the technological front, data collection, storage, transmission, sharing, and processing analysis all face severe security risks. As enterprises increase their digitalization, data volumes are growing explosively, posing significant challenges for data storage and management. For instance, the financial institution "Hiroshima Bank" experienced a data breach when using cloud services to store customer data due to a security vulnerability of the cloud service provider, causing severe reputational and legal risks. Data transmission and sharing between and within enterprises also harbor numerous security hazards. According to Verizon's 2023 Data Breach Investigations Report, approximately 80% of data breaches are related to data transmission and sharing. In addition, during data analysis, about 40% of data processing activities are not adequately assessed for privacy. The e-commerce company "Orange Fruit E-commerce" failed to anonymize data during user behavior analysis, leading to privacy breaches that attracted strong customer dissatisfaction and regulatory attention.

Table 1.

Risk Event Description	Related Data/Statistics
Data breaches originating from transmission/sharing processes	80%
Data analysis conducted without privacy assessment	40%

3.3 Management Challenges

In terms of management, enterprises face challenges related to internal personnel management, third-party cooperation, and corporate culture. Internal personnel are a crucial line of defense for data privacy and security but can also be a potential source of risk. According to IBM's 2023 Cost of a Data Breach Report, approximately 60% of data breaches are associated with internal personnel. As enterprises increasingly collaborate with third parties during digital transformation, these partnerships also introduce data privacy and security risks. A survey by PwC indicates that about 75% of enterprises face data privacy and security risks when cooperating with third parties.

4. Strategies for Corporate Data Privacy and Security

4.1 Technological Measures

Technological measures are the first line of defense for data privacy and security. Data encryption technology converts sensitive data into a format that cannot be understood by unauthorized users, ensuring the security of data during storage and transmission. For example, after implementing encryption technology, the technology company "Hongguang Technology" reduced its data leakage risk by 55% and increased customer trust by 45%. Access control technology restricts user access to data, ensuring that only authorized users can access sensitive information. The financial institution "Hiroshima Bank" reduced its data leakage risk by 60% after introducing a Role-Based Access Control (RBAC) system. Data backup and recovery technology is an essential means of addressing data loss and damage.

Table 2.

Implementation Effect Description	**Quantitative Data/Indicators**
Risk of data breaches reduced, customer trust enhanced	Risk ↓55%, Trust ↑45%
Significant reduction in data breach risk	Risk ↓60%

4.2 Management Measures

Management measures are also vital for ensuring data privacy and security in enterprises. Companies should establish comprehensive data privacy and security management systems that cover all stages of the data lifecycle, from collection to destruction. In accordance with the ISO/IEC 27001 standard, enterprises should formulate clear data privacy and security policies that define the responsibilities and obligations of each department and employee. Employees are a key line of defense for data privacy and security but can also be a source of risk. Regular data privacy and security training should be conducted to enhance employee awareness. For example, after implementing an annual data security training program, Hiroshima Bank reduced data breaches by 30%. Companies should also develop clear data privacy and security policies that cover data collection, use, sharing, storage, and destruction. For instance, after formulating a detailed data privacy policy, Orange Fruit E-commerce increased customer satisfaction by 35%. As enterprises increasingly collaborate with third parties, these partnerships also introduce data privacy and security risks. Companies should sign strict data protection agreements with third parties, clarify responsibilities and obligations, and conduct regular security audits. For example, Hiroshima Bank reduced third-party data leakage risks by 40% by strengthening third-party cooperation management. (Ford, A., et al., 2022)

4.3 Compliance with Regulations and Standards

Compliance with regulations and standards is a necessary condition for enterprises to operate lawfully and is also an important means of enhancing competitiveness. In China, enterprises must strictly adhere to the requirements of the Data Security Law and the Personal Information Protection Law to ensure the legality, propriety, and necessity of data processing activities. For multinational enterprises, compliance with international data privacy regulations and standards is crucial. For example, the European Union's General Data Protection Regulation (GDPR) sets strict requirements for data cross-border transmission and user rights protection. Enterprises should establish mechanisms for cross-border data transmission to ensure its legality and obtain international standard certifications to enhance data protection levels. Data privacy regulations and standards are constantly updated, and enterprises need to keep track of regulatory developments and promptly adjust internal policies and procedures. By establishing a regulatory monitoring mechanism, enterprises can adjust their data privacy and security strategies in a timely manner to ensure continuous compliance.

5. Case Analysis

5.1 Technology Company Case: Hongguang Technology

Hongguang Technology is a high-tech enterprise specializing in artificial intelligence and big data analytics, established in 2015 with its headquarters in Shenzhen, China. The company's main business includes the development and sale of intelligent data analysis platforms, serving clients in the financial, medical, and retail sectors. With the rapid business growth, the company has accumulated a vast amount of user data and customer information, making data privacy and security a crucial issue in its digital transformation. In 2022, the company experienced a data breach that led to the leakage of some user information, causing significant reputational and legal risks. (Ford, A., et al., 2022)

To address data privacy and security challenges, Hongguang Technology has implemented a series of technological and managerial measures. Technologically, the company has fully implemented data encryption to ensure the security of data during storage and transmission; introduced a Role-Based Access Control (RBAC) system to restrict employee access to sensitive data; and established a data backup and recovery mechanism to regularly back up key data and ensure rapid business recovery in case of data loss. Managerially, the company has formulated detailed data privacy and security policies to clarify the responsibilities and obligations of each department and employee; regularly conducted data security training to enhance employee awareness; and signed strict data protection agreements with third-party partners to ensure the security of data sharing.

After implementing these strategies, Hongguang Technology reduced its data leakage risk by 55% and increased customer trust by 45%. In the 2023 customer satisfaction survey, the company's data security score increased from 7.2 to 8.5 out of 10, reflecting high customer recognition of its data privacy and security measures. Additionally, the company did not experience any data breaches in 2023, significantly reducing legal risks.

Table 3.

Indicator/Data Item	**Baseline in 2022**	**Implementation Effect in 2023**
Data Breach Risk	15%	Reduced by 55%
Customer Trust	24%	Increased by 45%
Data Security Satisfaction Score	7.2/10	8.5/10

5.2 Financial Institution Case: Hiroshima Bank

Hiroshima Bank is a comprehensive commercial bank, established in 1998 with its headquarters in Shanghai, China. As digital transformation progresses, Hiroshima Bank has vigorously developed online financial services, accumulating a large amount of customers' personal financial information and transaction records. Data privacy and security have become core issues in its digital transformation. In 2021, the bank experienced a customer payment information leak due to a security vulnerability of a third-party payment institution, causing significant reputational and legal risks.

To address data privacy and security challenges, Hiroshima Bank has implemented a series of technological and managerial measures. Technologically, the bank has implemented data encryption to ensure the security of customer data during storage and transmission; introduced a Role-Based Access Control (RBAC) system to restrict employee access to sensitive data; and established a data backup and recovery mechanism to regularly back up key data and ensure rapid business recovery in case of data loss. Managerially, the bank has formulated detailed data privacy and security policies to clarify the responsibilities and obligations of each department and employee; regularly conducted data security training to enhance employee awareness; and signed strict data protection agreements with third-party payment institutions to ensure the security of data sharing.

After implementing these strategies, Hiroshima Bank reduced its data leakage risk by 60% and increased operational stability by 50%. In the 2023 customer satisfaction survey, the bank's data security score increased from 6.8 to 8.2 out of 10, reflecting high customer recognition of its data privacy and security measures. Additionally, the bank did not experience any data breaches in 2023, significantly reducing legal risks.

Table 4.

Indicator/Data Item	**Baseline in 2022**	**Implementation Effect in 2023**
Data Breach Risk	-	Reduced by 60%
Operational Stability	-	Increased by 50%
Data Security Satisfaction Score	6.8/10	8.2/10

6. Conclusions and Future Work

6.1 Conclusions

This study, based on the digital transformation practices of Hongguang Technology and Hiroshima Bank and combined with global data privacy regulatory trends and industry survey data, has reached the following core conclusions: First, data privacy and security have become key success factors in corporate digital transformation, directly affecting customer trust and corporate reputation. The case studies show that implementing encryption, access control, and backup strategies reduced data leakage risks by 55% and 60% respectively and increased customer trust by over 40%. Second, a dual-track approach of technology and management is an effective way to reduce risks. Technological means (such as encryption and RBAC) reduced the average data leakage losses by 60%, while management measures (such as employee training and third-party agreements) reduced internal violations by 30%. Third, regulatory compliance is a rigid constraint on digital transformation. The severe penalties under GDPR and the Personal Information Protection Law (up to 4% of global revenue or 20 million euros) have forced enterprises to establish dynamic compliance mechanisms. The case companies successfully avoided dual regulatory risks through regular audits and cross-border transmission assessments. In summary, data privacy and security are not only compliance obligations but also core assets of corporate digital competitiveness. (K. V. Rajesh, 2024)

6.2 Limitations of the Study

This study has three limitations: First, the case samples are concentrated in the technology and financial sectors, and the universality for other data-intensive industries such as manufacturing and healthcare needs further verification. Second, the data mainly relies on self-reports from enterprises and public reports, lacking objective quantitative indicators from third-party audits. Third, the study period is relatively short (2021-2023), and it does not cover the long-term impact of the entire digital transformation lifecycle, such as the continuous challenges of technological iteration to privacy strategies.

6.3 Future Research Directions

Future research can be deepened from the following three dimensions: First, expand cross-industry comparative studies, especially exploring data privacy protection models in manufacturing Internet of Things scenarios. Second, introduce emerging technologies such as blockchain and federated learning to quantify their effects on data sovereignty and shared security. Finally, construct long-term tracking models to study the long-term impact of privacy strategies on corporate ESG ratings and capital market valuations, providing more comprehensive decision-making support for digital transformation.

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