



Integrating Digital Competence and Islamic Work Ethics to Enhance Change Readiness: The Mediating Role of Employee Engagement

Indah Rizki Maulia*, Nera Marinda Machdar, Yayan Hendayana, Zahara Tussoleha Rony, Joseph M J Renwarin

Universitas Bhayangkara Jakarta Raya, Indonesia

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*Correspondence Address:

indah.rizki@dsn.ubharajaya.ac.id

Abstract :

Digitalization has become a strategic necessity for Islamic Rural Banks (BPRS) in Indonesia, making employees' readiness for change critical to successful transformation. This study examines the roles of digital competence, Islamic work ethic, and employee engagement in enhancing change readiness, providing insights for strengthening human resource strategies in the digital era. The study was conducted among 200 employees working in Rural Islamic Banks (BPRS) operating across the Greater Jakarta region (*Jabodetabek*). Respondents were selected using a purposive sampling technique based on predetermined criteria. Data were gathered through a structured questionnaire using a five-point Likert scale and analyzed with SmartPLS 4 to assess the proposed relationships among the research constructs. Digital competence and Islamic work ethic have positive and significant effects on employee engagement and change readiness. Employee engagement has a significant positive effect on change readiness. Also, it serves as a partial mediator in the relationships between digital competence and change readiness, and between Islamic work ethic and change readiness. This study provides empirical evidence that integrating these elements positions organizations better to support successful change initiatives and achieve sustainable organizational development in an increasingly digital environment.

INTRODUCTION

Digital transformation has become a critical challenge for Islamic rural banks (*Bank Perekonomian Rakyat Syariah/BPRS*), requiring employees to adapt to technological and organizational changes. This issue is important because employees' readiness for change is a key determinant of the successful implementation of digital transformation initiatives and organizational sustainability. The rapid advancement of digital technology has fundamentally transformed the banking industry, compelling financial institutions to continuously innovate and improve their competitiveness (Alnsour, 2024; Samidi et al., 2023). In response to these developments, *Otoritas Jasa Keuangan* (OJK) introduced the BPRS Roadmap 2024–2027, which emphasizes accelerating digitalization to enhance operational efficiency, financial inclusion, and competitiveness within the digital financial ecosystem (OJK, 2024). Therefore, understanding the factors that influence employees'

readiness for digital transformation is essential, and this study contributes by examining the roles of digital competence, employee engagement, and Islamic work ethic in shaping change readiness among BPRS employees.

However, the success of digital transformation initiatives depends heavily on human factors, particularly employees' readiness to embrace change. Change readiness reflects the extent to which employees are psychologically and behaviorally prepared to accept, support, and implement organizational changes. Despite strong regulatory encouragement, empirical evidence suggests that BPRS employees' readiness to adapt to digital transformation remains uneven.

A survey conducted by a researcher among BPRS leaders in April 2025 reveals a critical concern: not all employees are perceived to be ready for change. Many leaders reported gaps in adaptability, resistance to new systems, and limited digital capability among employees. This indicates that the transformation agenda mandated by regulators may face significant internal barriers if employee readiness is not adequately addressed. Such conditions highlight a discrepancy between institutional demands for rapid digitalization and the actual preparedness of human resources within BPRS.

Competency is a fundamental concept in human resource and organizational studies, referring to a combination of knowledge, skills, abilities, and behaviors that enable individuals to perform tasks effectively (Tiong et al., 2024; Uludağ, 2023). Digital competence significantly influences employees' readiness for change. Employees with higher digital competence are more likely to perceive change as an opportunity rather than a threat, thereby increasing their willingness to support and engage in transformation processes (Saari et al., 2021; Spöttl & Windelband, 2021). Islamic Work Ethics (IWE) represents a comprehensive, realistic, and moderate ethical system that extends beyond mere religious morality to encompass all aspects of life, including physical, spiritual, intellectual, emotional, individual, and collective dimensions (Al-shamali et al., 2021).

Employee engagement refers to a positive and committed psychological state in which employees demonstrate enthusiasm, dedication, and a strong attachment to their work and organization (Alolabi et al., 2022; Andika & Anindita, 2022; Colquitt et al., 2023). Engagement has been identified as a mediating mechanism that explains how organizational and individual factors influence outcomes such as performance and change readiness (Bhawna et al., 2024; Meria et al., 2023). According to Cameron & Green (2024), change readiness encompasses several key dimensions: cognitive readiness (understanding the need for change), emotional readiness (feelings and attitudes toward change), motivational readiness (willingness to engage), resource readiness (availability of time, technology, and skills), cultural readiness (alignment of organizational values with change goals), structural readiness (adaptability of systems and processes), and political readiness (stakeholder support and power dynamics).

In this context, digital competence becomes a crucial determinant of change readiness. Employees with higher levels of digital competence are more likely to adapt to technological changes, utilize digital tools effectively, and support organizational transformation (Sürücü et al., 2022; Tang et al., 2024). At the same time, in Islamic financial institutions, values-based factors such as Islamic Work Ethics play a significant role in shaping employee attitudes and behaviors (El-Halaby et al., 2021; Usman & Rahman, 2021). Islamic Work Ethics emphasize principles such as responsibility, integrity,

hard work, and collective welfare, which can foster a positive orientation toward organizational change (Alqhaiwi et al., 2024; Sulaiman et al., 2021).

Nevertheless, the relationship between these factors and change readiness is not always direct. Employee engagement is considered a key mediating variable that explains how digital competence and Islamic Work Ethics translate into readiness for change. Engaged employees tend to exhibit higher levels of commitment, enthusiasm, and willingness to contribute to organizational goals, including transformation initiatives (Sütőová et al., 2022; Sziegat, 2022; Wojewska et al., 2024). Without strong engagement, even competent employees or those with strong ethical values may not fully support change efforts.

Although prior studies have established the importance of digital competence in facilitating employees' adaptation to technological change (Jawabreh et al., 2024; Spöttl & Windelband, 2021), much of this research has focused primarily on the technical capabilities required to perform digital tasks. Such an approach tends to assume that employees with digital skills will automatically be ready for organizational change. However, change readiness is a multidimensional construct that involves not only competence but also psychological, motivational, and behavioral factors (Hattab et al., 2022; Kim et al., 2024; Malik et al., 2024). Consequently, digital competence alone may not adequately explain why some employees remain resistant to change despite possessing sufficient technological skills.

Similarly, research on Islamic Work Ethics has consistently highlighted its positive influence on employee attitudes and behaviors (Farid et al., 2018). Nevertheless, previous studies have largely examined Islamic Work Ethics as a direct predictor of work outcomes, such as job performance, organizational commitment, or job satisfaction, while paying limited attention to the underlying mechanisms through which ethical values influence employees' readiness to embrace organizational transformation. This leaves an incomplete understanding of how religiously grounded values are translated into change-supportive behaviors, particularly during periods of digital disruption.

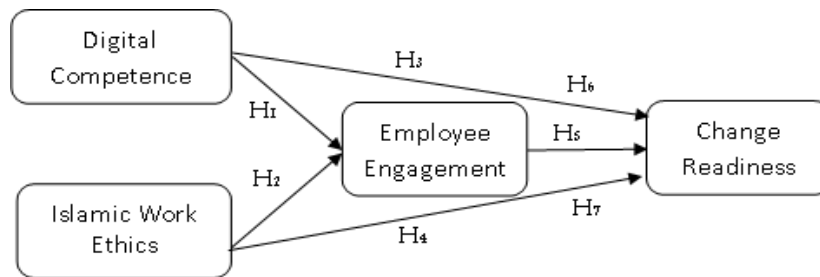
Furthermore, studies investigating employee engagement have generally treated it as an independent predictor of organizational outcomes, rather than as an explanatory mechanism linking employee capabilities and values to change readiness. As a result, the interrelationships among digital competence, Islamic Work Ethics, employee engagement, and change readiness remain insufficiently explored. The lack of an integrated framework is particularly evident in Islamic rural banking institutions, where digital transformation initiatives require employees not only to possess technological competence but also to maintain strong ethical values and psychological attachment to the organization. Therefore, a more comprehensive model is needed to explain how these factors interact in shaping employees' readiness for digital transformation.

Based on the background and identified gaps, the research questions are formulated as follows: (1) Does digital competence influence employee engagement in BPRS?; (2) Does Islamic work ethics influence employee engagement in BPRS?; (3) Does digital competence influence change readiness? (4) Does Islamic work ethic influence change readiness? (5) Does employee engagement influence change readiness? (6) Does employee engagement mediate the relationship between digital competence and change readiness? (7) Does employee engagement mediate the relationship between Islamic work ethics and change readiness?.

Hypothesis

The hypotheses proposed in this study are as follows:

- H1:** Digital competence has a positive and significant influence on employee engagement.
- H2:** Islamic Work Ethics has a positive and significant influence on employee engagement.
- H3:** Digital competence has a positive and significant influence on change readiness.
- H4:** Islamic Work Ethics has a positive and significant influence on change readiness.
- H5:** Employee engagement has a positive and significant influence on change readiness.
- H6:** Employee engagement mediates the influence of digital competence on change readiness.
- H7:** Employee engagement mediates the influence of Islamic Work Ethics on change readiness.



Picture 1. Research Design

Source: primary data processed, 2026

RESEARCH METHOD

This study employs a quantitative research approach with a cross-sectional design, which enables efficient data collection within a relatively short time and at lower cost. The cross-sectional approach also allows the examination of relationships among variables at a single point in time without requiring experimental intervention, while providing flexibility to analyze multiple variables simultaneously (Wang & Cheng, 2020).

The research was conducted among employees of Islamic Rural Banks (BPRS) in the Jabodetabek area (Jakarta, Bogor, Depok, Tangerang, and Bekasi). A total of 200 respondents participated in the study. The sample was selected using purposive sampling, with the criterion that respondents had at least one year of work experience to ensure adequate familiarity with organizational practices and work dynamics.

Data were collected through a structured questionnaire using a Likert scale to measure digital competence, Islamic work ethics, employee engagement, and change readiness. The study utilized primary data obtained directly from respondents.

Data analysis was performed using the Structural Equation Modeling–Partial Least Squares (SEM-PLS) technique with SmartPLS 4 software. The analysis consisted of two stages: (1) assessment of the measurement model to evaluate reliability and construct validity, and (2) assessment of the structural model to test the proposed hypotheses based on path coefficients and their statistical significance (p-values or t-statistics) (Hair et al., 2022).

For the change readiness construct, this study refines the dimensions and indicators to better capture individual-level readiness in the context of digital transformation, representing a key novelty of the research. Prior to statistical validity testing, the instrument underwent content validity assessment using expert judgment from four experts in change management and behavioral science.

RESULTS AND DISCUSSION

Results

Respondents' demographic

The following are the demographic characteristics of the respondents.

Table 1. Respondents' characteristics

No.	Characteristic	Frequency	Percentage
1.	Gender :		
	Male	119	59,5%
	Female	81	40,5%
2.	Age :		
	< 25 y.o	7	3,5%
	25-30 y.o	62	31%
	31-40 y.o	91	45,5%
	41-50 y.o	37	18,5%
	> 50 y.o	3	1,5%
3.	Education :		
	Senior High School or Equivalent	13	6,5%
	Diploma 2/Diploma 3	17	8,5%
	Bachelor's Degree	156	78%
	Master's Degree	14	7%
4.	Job Level :		
	Operator	17	8,5%
	Staff	94	47%
	Supervisor	42	21%
	Head of Department / Manager	43	21,5%
	Director	4	2%
5.	Work tenure		
	1-3 years	67	33,5%
	4-6 years	40	20%
	7-10 years	45	22,5%
	> 10 years	48	24%
	Total	200	100%

Source : primary data processed, 2026

Table 1 summarizes the demographic profile of the 200 respondents. By gender, the sample is predominantly male (59.5%), with females accounting for 40.5%. Regarding age distribution, most respondents are within the 31–40 years group (45.5%), followed by those aged 25–30 years (31%) and 41–50 years (18.5%), indicating that the sample is largely composed of individuals in their prime working age. With respect to educational attainment, the majority hold a Bachelor's degree (78%), while smaller proportions possess Diploma degrees (8.5%), Master's degrees (7%), and high school qualifications (6.5%). This reflects a relatively well-educated respondent base. By job level, staff positions dominate the sample (47%), followed by supervisors (21%), heads of department/managers (21.5%), operators (8.5%), and directors (2%). This suggests that the respondents are primarily concentrated at the operational level, with adequate representation from middle management. Finally, the distribution of work tenure shows that most respondents have 1–3 years of experience (33.5%), followed by those with more than 10 years (24%), 7–10 years (22.5%), and 4–6 years (20%). The sample reflects a balanced composition of early-career and experienced employees.

Validity and Reliability

The following Table 2 presents the outer loading values for each indicator used in this study.

Table 2. Outer Loading				
Construct	DIC	IWE	EME	RTC
DIC1	0,873			
DIC2	0,918			
DIC3	0,797			
DIC4	0,829			
DIC5	0,895			
IWE1		0,952		
IWE2		0,974		
IWE3		0,961		
IWE4		0,962		
IWE5		0,959		
EME1			0,944	
EME2			0,964	
EME3			0,952	
RTC1				0,949
RTC2				0,965
RTC3				0,976

Source : primary data processed, 2026

Notes: DIC (digital competence), IWE (Islamic Work Ethic), EME (Employee Engagement), RTC (Change Readiness)

Table 2 demonstrates the convergent validity of the measurement model by presenting the outer loading values of each indicator on its respective construct. All indicators across Digital Competence (DIC), Islamic Work Ethic (IWE), Employee Engagement (EME), and Change Readiness (RTC) exhibit loading values above the recommended threshold of 0.70, indicating that each item has a strong correlation with the construct it is intended to measure. Specifically, the DIC indicators range from 0.797 to 0.918, while the IWE indicators show very high loadings ranging from 0.952 to 0.974. Likewise, EME indicators range from 0.944 to 0.964, and RTC indicators range from 0.949 to 0.976. These high loading values confirm that the indicators share a high proportion of variance with their respective constructs, thereby establishing strong convergent validity. Consequently, all measurement items are considered valid and suitable for inclusion in further analysis without elimination.

Table 3. Average Variance Extracted (AVE)		
Variables	AVE	Validity
Digital Competence	0.621	valid
Islamic Work Ethics	0.848	valid
Employee Engagement	0.743	valid
Change Readiness	0.984	valid

Source : primary data processed, 2026

Table 3 presents the Average Variance Extracted (AVE) values for each construct, which are used to assess construct-level convergent validity. All variables have AVE values exceeding the recommended threshold of 0.50, indicating that each construct explains more than half of the variance of its indicators. Specifically, Digital Competence has an AVE of 0.621, Employee Engagement 0.743, and Islamic Work Ethics 0.848, all of which demonstrate strong convergent validity. Notably, Readiness to Change shows an

exceptionally high AVE of 0.984, indicating that its indicators explain a very high proportion of the construct's variance. Overall, these results confirm that all constructs in the model meet the criteria for convergent validity and are therefore considered valid for further analysis.

Table 4. Reliability

Variables	Composite Reliability	Cronbach's Alpha	Reliability Criteria	Reliability Conclusion
Digital Competence	0.994	0.994	$\geq 0,7$	Reliable
Islamic Work Ethics	0.987	0.987	$\geq 0,7$	Reliable
Employee Engagement	0.983	0.982	$\geq 0,7$	Reliable
Change Readiness	0.986	0.985	$\geq 0,7$	Reliable

Source : primary data processed, 2026

Table 4 presents the reliability assessment of each construct using Composite Reliability and Cronbach's Alpha. All variables, Digital Competence, Islamic Work Ethics, Employee Engagement, and Readiness for Change, show values well above the recommended threshold of 0.70, indicating a high level of internal consistency. Specifically, Composite Reliability values range from 0.983 to 0.994, while Cronbach's Alpha values range from 0.982 to 0.994. These results suggest that the indicators within each construct are highly consistent in measuring the same underlying concept. Therefore, based on both reliability measures, all constructs in this study can be classified as reliable and suitable for further analysis.

Coefficient of Determination (R^2)

The coefficient of determination (R^2) is a statistical measure used to evaluate how well a model explains the variability of a dependent (endogenous) variable. In other words, it indicates the proportion of variance in the dependent variable explained by the independent (exogenous) variables included in the model. The following Table 5 presents the coefficient of determination in this study.

Table 5. Coefficient of Determination (R^2)

Variables	R^2	R^2 adjusted
Employee Engagement	0.634	0.630
Change Readiness	0.761	0.757

Source : primary data processed, 2026

Table 5 presents the coefficient of determination (R^2) values for the endogenous variables in the model, namely Employee Engagement and Change Readiness. The R^2 value for Employee Engagement is 0.634, indicating that 63.4% of the variance in Employee Engagement is explained by its predictor variables, with the remaining 36.6% attributable to other factors not included in the model. Change Readiness has an R^2 value of 0.761, meaning that 76.1% of its variance is explained by the independent variables in the model, with 23.9% explained by external factors.

Effect Size (f^2)

Effect size (f^2) is a measure used in PLS-SEM to assess the impact of a specific exogenous (independent) variable on an endogenous (dependent) variable.

Table 6. Effect Size (f^2)		
Variables	Employee Engagement	Readiness for Change
Digital Competence	0.412	0.165
Islamic Work Ethic	0.354	0.213
Employee Engagement		0.233

Source : primary data processed, 2026

Table 6 presents the effect size (f^2) values, which indicate the magnitude of the contribution of each exogenous variable to the endogenous variables, namely Employee Engagement and Readiness for Change. Based on the commonly used criteria (0.02 = small, 0.15 = medium, 0.35 = large), the results show varying levels of influence among the variables.

Digital Competence has a large effect on Employee Engagement ($f^2 = 0.412$), indicating that it is a strong predictor of Employee Engagement. However, its effect on Readiness for Change ($f^2 = 0.165$) falls into the medium category, suggesting a moderate contribution. Islamic Work Ethics also shows a large effect on Employee Engagement ($f^2 = 0.354$) and a medium effect on Readiness for Change ($f^2 = 0.213$).

Meanwhile, Employee Engagement demonstrates a medium effect on Readiness for Change ($f^2 = 0.233$), indicating that it plays an important, though not dominant, role in influencing Change Readiness. These findings suggest that Digital Competence and Islamic Work Ethics are key drivers of Employee Engagement, while Readiness for Change is influenced moderately by all included variables, with no single predictor showing a dominant (large) effect.

Predictive of Relevance (Q^2)

Predictive relevance (Q^2) was measured to evaluate how well the model can predict the observed values of endogenous (dependent) constructs.

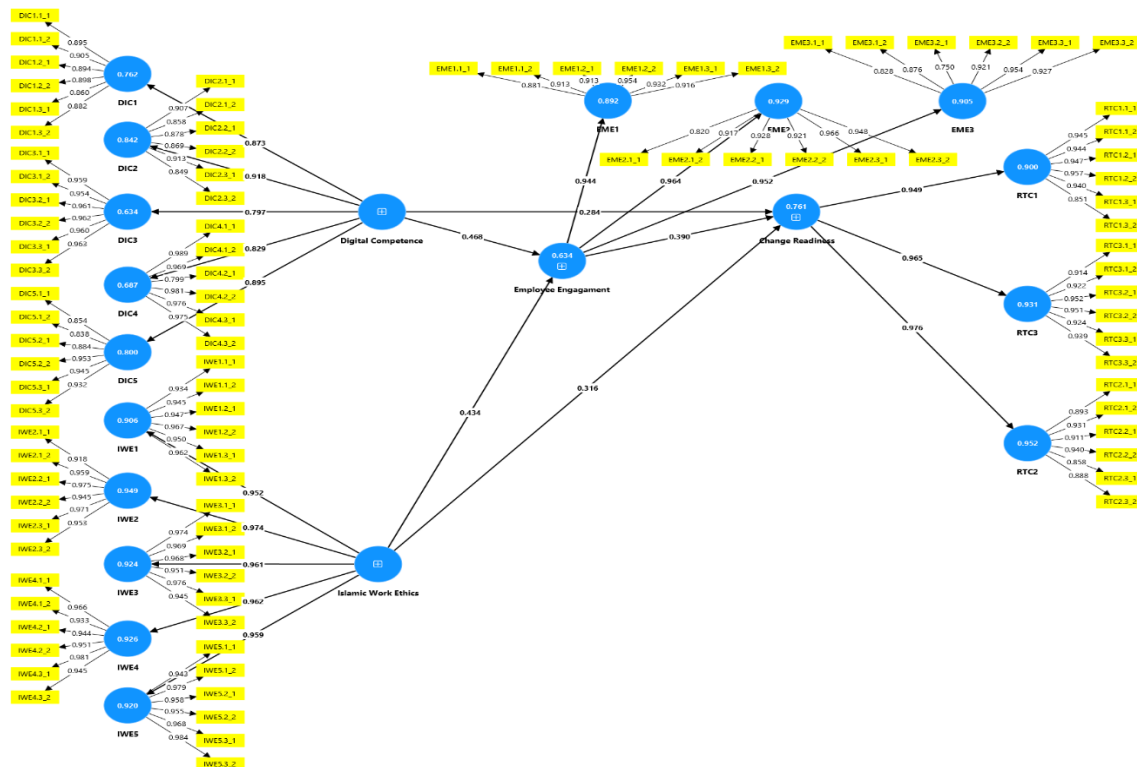
Table 7. Predictive of Relevance (Q^2)			
	SSO	SSE	$Q^2 (=1-SSE/SSO)$
Employee Engagement	3.600.000	1.922.913	0.466
Change Readiness	3.600.000	1.452.093	0.597

Source: primary data processed, 2026

As shown in Table 7, the Q^2 value for Employee Engagement is 0.466, calculated from the SSO value of 3.600.000 and the SSE value of 1.922.913. Meanwhile, the Q^2 value for Change Readiness is 0.597, obtained from the SSO value of 3.600.000 and the SSE value of 1.452.093. Since both values are well above zero and exceed the 0.35 threshold, they can be categorized as strongly predictive. This means that the model is not only capable of explaining the relationships among variables but also of predicting the observed data.

Direct and Indirect Effect (Hypotheses Testing)

The following is the path diagram of the model used in this study.



Picture 1. Path Diagram

Source: primary data processed, 2026

The direct effect of digital competence and Islamic work ethic on employee engagement is shown in the following Table 8.

Table 8. The Direct Effect on Employee Engagement

Variables	Original sample (O)	Sample mean (M)	Standard deviation (STDEV)	T statistics (O/STDEV)	p values
Digital Competence	0.468	0.468	0.058	8.130	0.000
Islamic Work Ethic	0.434	0.433	0.052	8.274	0.000

Source: primary data processed, 2026

Based on Table 8, the effect of Digital Competence on Employee Engagement has a path coefficient value of 0.468, with a t-statistic of 8.130 and a p-value of 0.000. These results indicate that Digital Competence has a significant effect on Employee Engagement because the t-statistic is > 1.96 and the p-value is < 0.05 . The effect is positive, as indicated by the path coefficient of 0.468, meaning that an increase in Digital Competence will lead to higher levels of Employee Engagement. Therefore, H1 is accepted.

Table 8 also shows that the effect of Islamic Work Ethics on Employee Engagement has a path coefficient value of 0.434, with a t-statistic of 8.274 and a p-value of 0.000. These findings indicate that Islamic Work Ethics has a significant effect on Employee Engagement because the t-statistic is > 1.96 and the p-value is < 0.05 . This effect is also positive, as indicated by the path coefficient of 0.434, meaning that higher levels of Islamic Work Ethics lead to higher levels of Employee Engagement. Thus, H2 is accepted.

The direct effects of digital competence, Islamic work ethic, and employee engagement on Change Readiness are shown in Table 9.

Table 9. The Direct Effect on Change Readiness

Variables	Original sample (O)	Sample mean (M)	Standard deviation (STDEV)	T statistics (O/STDEV)	p values
Digital Competence	0.284	0.281	0.065	4.404	0.000
Islamic Work Ethic	0.316	0.315	0.069	4.606	0.000
Employee Engagement	0.390	0.394	0.080	4.839	0.000

Source: primary data processed, 2026

Based on Table 9, the effect of Digital Competence on Change Readiness has a path coefficient value of 0.284, with a t-statistic of 4.404 and a p-value of 0.000. These results indicate that Digital Competence has a significant effect on Change Readiness because the t-statistic is > 1.96 and the p-value is < 0.05 . The effect is positive, as indicated by the path coefficient value of 0.284, meaning that an increase in Digital Competence will lead to a higher level of Change Readiness. Therefore, H3 is accepted.

Table 9 also shows that the effect of Islamic Work Ethics on Change Readiness has a path coefficient value of 0.316, with a t-statistic of 4.606 and a p-value of 0.000. These findings indicate that Islamic Work Ethics has a significant effect on Change Readiness because the t-statistic is > 1.96 and the p-value is < 0.05 . This effect is also positive, as indicated by the path coefficient value of 0.316, meaning that higher levels of Islamic Work Ethics will lead to higher Change Readiness. Thus, H4 is accepted.

Employee Engagement also has a positive and significant effect on Change Readiness. As shown in Table 9, the effect of Employee Engagement on Change Readiness has a path coefficient of 0.390, with a t-statistic of 4.839 and a p-value of 0.000. With a t-statistic > 1.96 and a p-value < 0.05 , it was concluded that H5 is accepted.

Table 10. The Indirect Effect through Employee Engagement

Path	Original sample (O)	Sample mean (M)	Standard deviation (STDEV)	T statistics (O/STDEV)	p values
Digital Competence – Employee Engagement – Change Readiness	0.182	0.186	0.050	3.667	0.000
Islamic Work Ethics – Employee Engagement – Change Readiness	0.169	0.170	0.036	4.702	0.000

Source: primary data processed, 2026

Based on Table 10, there is a positive and significant indirect effect of Digital Competence on Change Readiness through Employee Engagement. This can be seen from the path coefficient value of 0.182, t-statistic of 3.667 (> 1.96), and p-value of 0.000 (< 0.05). Thus, it can be concluded that H6 is accepted. It stated that employee engagement mediates the influence of digital competence on employees' change readiness. Employee engagement partially mediates the relationship between Digital Competence and Change Readiness, as digital competence influences change readiness both directly and indirectly through employee engagement.

Table 10 also shows a positive and significant indirect effect of Islamic Work Ethics on Change Readiness through Employee Engagement. This can be seen from the path coefficient value of 0.169, t-statistic of 4.702 (> 1.96), and p-value of 0.000 (< 0.05). Thus, it can be concluded that H7 is accepted; employee engagement mediates the influence of Islamic work ethic on employees' change readiness. Employee engagement also partially mediates the relationship between Islamic Work Ethics and Change Readiness, as Islamic Work Ethics influences change readiness both directly and indirectly through employee engagement.

Discussion

The findings of this study indicate that all proposed hypotheses are supported, highlighting the important role of Digital Competence, Islamic Work Ethics, and Employee Engagement in enhancing Change Readiness. Digital competence is found to have a positive and significant influence on employee engagement and change readiness. Employees with strong digital skills are more engaged in their work and better prepared to adapt to organizational changes (Briones et al., 2023; Oberländer & Bipp, 2022; Uludağ, 2023). Employees are more likely to support organizational transformation when they possess the knowledge and capabilities needed to meet new demands. Employees with strong digital competencies tend to perceive technological change as an opportunity rather than a threat, thereby reducing uncertainty and increasing their confidence in adapting to new work processes.

Similarly, Islamic work ethics have a significant positive effect on both employee engagement and change readiness, implying that values such as responsibility, integrity, and commitment foster stronger attachment to the organization and greater readiness to embrace change. Values serve as cognitive frameworks that shape employees' attitudes and behavioral responses toward organizational initiatives (Gao & Gao, 2024; Lohman, 2021). Islamic work ethics encourage employees to perceive organizational change as a collective obligation rather than an imposed disruption. While previous studies have primarily linked Islamic Work Ethics to outcomes such as job satisfaction, commitment, and performance (Shafi et al., 2021), the present findings provide additional evidence that these ethical values also contribute to employees' readiness to embrace organizational transformation. This finding enriches the literature by positioning Islamic Work Ethics as a strategic resource that supports change processes within Islamic financial institutions, an area that has received relatively limited empirical attention.

Furthermore, Employee Engagement itself has a significant positive effect on Change Readiness (Al-shamali et al., 2021; Sahabuddin et al., 2024). This finding confirms that engaged employees are more open, proactive, and supportive toward change initiatives. The mediation analysis also reveals that Employee Engagement plays a crucial role in strengthening the relationships between Digital Competence and Change Readiness, and between Islamic Work Ethics and Change Readiness. This indicates that both Digital Competence and Islamic Work Ethics not only directly influence Change Readiness but also indirectly enhance it through increasing Employee Engagement. These results emphasize that organizations should focus on developing employees' digital capabilities and reinforcing ethical work values (Islamic Work Ethics) to boost employee engagement and ultimately improve readiness for change.

CONCLUSION

This study aimed to examine how digital competence and Islamic Work Ethics contribute to employees' readiness for change, both directly and indirectly through employee engagement. The findings demonstrate that employees with stronger digital competencies and who uphold Islamic work values tend to exhibit higher levels of work engagement. In turn, engaged employees are more prepared to accept, support, and adapt to organizational changes. The study further confirms that employee engagement is an important mechanism by which digital competence and Islamic Work Ethics enhance change readiness. These findings indicate that readiness for change is determined not solely by employees' technical capabilities but also by the values and attitudes that shape

their commitment and involvement in organizational activities. The results suggest that organizations, particularly Islamic financial institutions such as BPRS, undergoing digital transformation can strengthen employees' readiness for change by simultaneously developing digital competencies, fostering Islamic work values, and promoting employee engagement. By integrating these elements, organizations are better positioned to support successful change initiatives and achieve sustainable organizational development in an increasingly digital environment.

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