

Digital Transformation Readiness and Employee Performance: The Mediating Role of Digital Skills

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Abstract

Digital transformation has emerged as a critical organizational priority, reshaping work processes, employee roles, and performance expectations. However, the successful implementation of digital transformation depends not only on technological infrastructure but also on employees' readiness and ability to use digital technologies effectively. The present study examines the relationship between **digital transformation readiness and employee performance**, with particular emphasis on the **mediating role of digital skills**. The study proposes that organizational readiness for digital transformation, reflected through technological preparedness, organizational support, leadership commitment, and employee adaptability, can contribute to improved employee performance. Digital skills are considered an important mechanism through which digital transformation readiness may influence employees' ability to perform their tasks efficiently, adapt to technological changes, and achieve organizational objectives. The study adopts a quantitative research approach and proposes the collection of primary data from employees working in organizations undergoing digital transformation. Data may be analyzed using descriptive statistics, reliability analysis, correlation, regression, and mediation analysis to examine the proposed relationships. The study is expected to provide insights into how organizations can strengthen employee capabilities while implementing digital transformation initiatives. The findings may assist managers and HR professionals in designing targeted digital-skilling, training, and organizational-support initiatives to enhance employee performance and facilitate successful digital transformation.

Keywords: Digital Transformation Readiness, Employee Performance, Digital Skills, Digital Competence, Organizational Readiness, Employee Adaptability, Technological Transformation.

Introduction

Digital transformation has become an important strategic priority for organizations operating in an increasingly technology-driven business environment. The rapid development of artificial intelligence, cloud computing, big data analytics, automation, digital platforms, and other emerging technologies has significantly changed the way organizations perform their operations and manage their workforce. Digital transformation is not limited to the adoption of new technologies; rather, it involves substantial changes in organizational processes, structures, work practices, employee roles, and organizational culture. Consequently, organizations need to ensure that both technological and human resources are adequately prepared to respond to these changes.

Digital transformation readiness refers to the extent to which an organization and its employees are prepared to adopt, implement, and effectively utilize digital technologies. It encompasses several dimensions, including technological infrastructure, organizational support, leadership commitment, employee adaptability, digital culture, and the availability of appropriate resources. An organization may invest heavily in advanced technologies, but the expected benefits may not be achieved if employees lack the knowledge, confidence, motivation, or skills required to use these technologies effectively. Therefore, employee readiness represents an important component of successful digital transformation.

Employees occupy a central position in the digital transformation process because they are directly involved in adopting and using new technologies in their daily work. The introduction of digital technologies can improve the speed, accuracy, flexibility, and efficiency of organizational activities. At the same time, technological changes may require employees to learn new systems, modify existing work practices, and continuously develop their capabilities. Employees who are able to adapt effectively to technological changes may be better positioned to

perform their responsibilities, whereas inadequate preparation and limited technological capabilities may create difficulties in adapting to transformed work environments.

In this context, **digital skills** have become increasingly important for employee effectiveness and organizational competitiveness. Digital skills refer to the knowledge and abilities required to access, understand, evaluate, communicate, and effectively use digital technologies for performing work-related activities. These skills may range from basic digital literacy and information management to more advanced competencies involving data analysis, digital collaboration, cybersecurity awareness, and the use of specialized digital tools. The development of digital skills can enable employees to use organizational technologies more effectively and respond positively to changing technological requirements.

The relationship between digital transformation readiness and **employee performance** is therefore an important area of investigation. Employee performance generally reflects the extent to which employees successfully accomplish assigned tasks and contribute to organizational objectives. Digital transformation readiness can potentially improve employee performance by providing employees with appropriate technological resources, organizational support, training opportunities, and an environment that encourages innovation and adaptability. However, the availability of such organizational readiness may not automatically translate into improved performance if employees are unable to effectively utilize digital technologies.

This highlights the potential **mediating role of digital skills**. Digital transformation readiness may create an enabling environment for employees to acquire and apply digital capabilities, while these capabilities can subsequently contribute to improved work performance. In other words, organizations that are adequately prepared for digital transformation may provide better opportunities for employees to develop digital skills, and employees possessing stronger digital skills may be more capable of utilizing digital technologies to complete their tasks efficiently. Thus, digital skills may represent an important mechanism through which digital transformation readiness influences employee performance.

Despite growing attention toward digital transformation, much of the existing discussion has focused on technological adoption, organizational transformation, or digital capabilities at the organizational level. Comparatively, greater attention is required to understand the **employee-level mechanisms** through which organizational readiness translates into performance outcomes. In particular, examining digital skills as a mediating variable can provide a more comprehensive understanding of how employees respond to digitally transformed work environments. Such an approach integrates organizational readiness, employee capability, and performance within a single conceptual framework.

Therefore, the present study focuses on “**Digital Transformation Readiness and Employee Performance: The Mediating Role of Digital Skills.**” The study seeks to examine whether digital transformation readiness influences employee performance and whether digital skills mediate this relationship. The study is expected to contribute to the growing literature on digital transformation by highlighting the importance of human capabilities alongside technological and organizational preparedness. From a managerial perspective, the findings may assist organizations and human resource professionals in developing appropriate training, reskilling, digital learning, and organizational-support initiatives that can strengthen employees' digital capabilities and improve performance in digitally transforming workplaces.

Review Of Literature

- **Vial (2019)** examined digital transformation as a process through which organizations respond to changes created by digital technologies. The study emphasized that digital transformation involves more than simply implementing technology; it can alter organizational structures, processes, roles, and value-creation mechanisms. Vial highlighted the importance of organizational capabilities and employee-related factors in enabling organizations to obtain benefits from digital transformation. This study provides an important conceptual foundation for examining digital transformation readiness and its consequences for employees.
- **Bumann and Peter (2019)** discussed digital transformation readiness from an organizational perspective and emphasized that organizations require appropriate technological, organizational, and human capabilities before implementing major digital initiatives. Their work indicates that readiness is multidimensional and involves not only technological infrastructure but also organizational capabilities and human resources. This perspective

supports the argument that employee-related capabilities should be incorporated into research on digital transformation readiness.

- **Cortellazzo, Bruni, and Zampieri (2019)** examined the role of leadership in digital transformation and argued that leadership capabilities are important for managing technological and organizational changes. Leaders can facilitate digital transformation by establishing an appropriate vision, supporting innovation, encouraging learning, and helping employees adapt to new technologies. Their findings suggest that organizational support and leadership commitment can contribute to employees' preparedness for digital transformation.
- **Kraus et al. (2021)** examined digital transformation and highlighted that organizations need to develop appropriate capabilities to respond to rapidly changing technological environments. Their work indicated that digital transformation requires changes in organizational processes, strategies, and capabilities rather than isolated technological investments. The study provides support for considering organizational readiness as an important antecedent of successful digital transformation.
- **Chatterjee, Rana, Tamilmani, and Sharma (2022)** investigated digital transformation and organizational outcomes and emphasized the importance of organizational capabilities in realizing value from digital technologies. Their work suggests that technology adoption alone does not guarantee successful transformation; organizations must create supportive conditions that allow employees and organizational processes to effectively utilize digital technologies. This provides a basis for examining the relationship between digital transformation readiness and employee-related outcomes.
- **Ali, Mahfouz, and Arisha (2022)** examined employee readiness for digital transformation in the context of Industry 4.0 and highlighted the importance of human-resource practices in preparing employees for technological change. Their findings indicated that training and development, employee participation, performance-oriented practices, and flexible work arrangements can strengthen employee outcomes and readiness for organizational change. The study is particularly relevant because it connects HR practices with employee readiness in digitally transforming work environments.
- **Tewari and Mehta (2023)** examined employees' intentional digital readiness and identified several factors influencing employees' willingness to engage with digital transformation. The study showed that perceptions of digital work tools, proactive personality, autonomy-supportive leadership, and trust in management can influence employees' intentional readiness for digital transformation. The findings demonstrate that digital transformation readiness has an important individual-level dimension and cannot be understood solely through organizational technological preparedness.
- **Bouwman et al. (2024)** developed a framework for identifying the skills required for digital transformation through a systematic literature review. The study emphasized that successful digital transformation requires organizations to invest in workforce skills and identified multiple technical and non-technical capabilities needed to exploit digital technologies effectively. The findings reinforce the importance of digital skills as a human capability supporting digital transformation.
- **Zhou, Huang, and Mao (2025)** investigated the relationship between digital transformation and employee performance using an ability-motivation-opportunity framework. Based on a time-lagged study of 265 employees and their supervisors from six companies in southern China, the researchers found that digital transformation could enhance employee job performance through mechanisms involving employee competence, motivation to learn, job autonomy, and employee unlearning. Their findings are directly relevant to the present study because they demonstrate that the effects of digital transformation on employee performance can operate through employee-level capabilities and behavioural mechanisms.
- **Mhaske et al. (2025)** examined the growing digital skills gap in the global workforce and developed a conceptual framework for understanding the factors contributing to this gap. Their study highlighted that rapid technological transformation is creating increasing differences between the digital skills required by organizations and those possessed by employees. The findings underline the importance of continuous learning, reskilling, and workforce development for organizations undergoing digital transformation.
- **Munawaroh et al. (2026)** conducted a systematic review of research on digital competence, employee agility, and employee performance during the digital transformation era. The review found that digital competence generally has a positive relationship with employee performance, operating through mechanisms such as improved

work efficiency, innovation, and technology utilization. The study also identified employee agility as an important adaptive capability connecting digital competence with effective work outcomes.

- **Pinheiro et al. (2026)** systematically reviewed 46 peer-reviewed studies concerning digital workplace competencies and their outcomes. The review identified relationships between digital competencies and workplace outcomes such as performance, innovation, engagement, and well-being. The study also highlighted emerging competency requirements, including AI literacy, data literacy, digital communication, collaboration, and problem-solving. These findings strengthen the argument that digital skills can be an important mechanism linking digital transformation to employee outcomes.
- **Situmorang and Loo (2026)** examined digital HRM transformation and employee performance with particular attention to digital competence. Their study investigated how digitally transformed HR practices can contribute to employee performance through employees' digital capabilities. The study provides direct support for considering digital competence as a potential mechanism through which digital transformation can influence employee performance.
- **Baidowi, Paminto, and Adhimursandi (2026)** examined digital transformation, organizational support, individual readiness for change, and employee performance. Using survey data from employees and PLS-SEM, the study reported a positive and significant relationship between digital transformation and employee performance and examined individual readiness for change as a mediating mechanism. The study demonstrates the relevance of employee readiness in explaining how digital transformation translates into employee-level outcomes.
- **Li, Nordin, and Sukor (2026)** conducted a systematic literature review focusing specifically on employee readiness for digital transformation. Their review noted that much of the existing literature has concentrated on technological and organizational readiness, while individual employee preparedness has received comparatively less attention. The authors identified awareness, supportive leadership, digital inclusion, and digital skills among the important antecedents of employee readiness. This finding is particularly relevant to the present research because it establishes a clear need to examine digital skills alongside digital transformation readiness at the employee level.

Research Gap

- **Limited Integration of Key Variables**

Existing studies have largely examined digital transformation readiness, digital skills, and employee performance as separate constructs. There is limited research integrating all three variables into a single conceptual framework.

- **Insufficient Focus on the Mediating Role of Digital Skills**

Although previous studies have established relationships between digital transformation and employee outcomes, comparatively less attention has been given to **digital skills as a mediating mechanism** through which digital transformation readiness affects employee performance.

- **Greater Emphasis on Organizational-Level Readiness**

Much of the existing literature focuses on technological infrastructure, organizational capabilities, leadership, and organizational readiness. Relatively less attention has been given to how organizational readiness translates into **employee-level capabilities and performance**.

- **Limited Empirical Evidence on the Readiness–Performance Relationship**

Previous research has examined the effects of digital transformation on organizational outcomes and employee adaptation, but further empirical investigation is needed to understand the direct relationship between **digital transformation readiness and employee performance**, particularly in combination with employee digital capabilities.

- **Need for an Integrated Employee-Centred Perspective**

The existing literature indicates the importance of employee competence, adaptability, and continuous learning during digital transformation. However, an integrated employee-centred framework explaining how **organizational digital transformation readiness develops digital skills and subsequently improves**

employee performance remains relatively underexplored. The present study addresses this gap by testing digital skills as a mediating variable.

Research Objectives

- To examine the impact of digital transformation readiness on employee performance.
- To assess the impact of digital transformation readiness on employees' digital skills.
- To examine the mediating role of digital skills in the relationship between digital transformation readiness and employee performance.

Conceptual Framework

The conceptual framework of the study is developed to examine the relationship between **Digital Transformation Readiness (DTR)** and **Employee Performance (EP)**, while considering **Digital Skills (DS)** as a mediating variable.

Variables in the Framework

1. Independent Variable – Digital Transformation Readiness (DTR)

Digital transformation readiness represents the extent to which an organization and its employees are prepared to adopt and effectively utilize digital technologies. It may include dimensions such as:

- Technological preparedness
- Organizational support
- Leadership commitment
- Employee adaptability
- Digital culture
- Availability of digital resources

2. Mediating Variable – Digital Skills (DS)

Digital skills represent employees' ability to effectively use digital technologies and tools in performing their work. The construct may include:

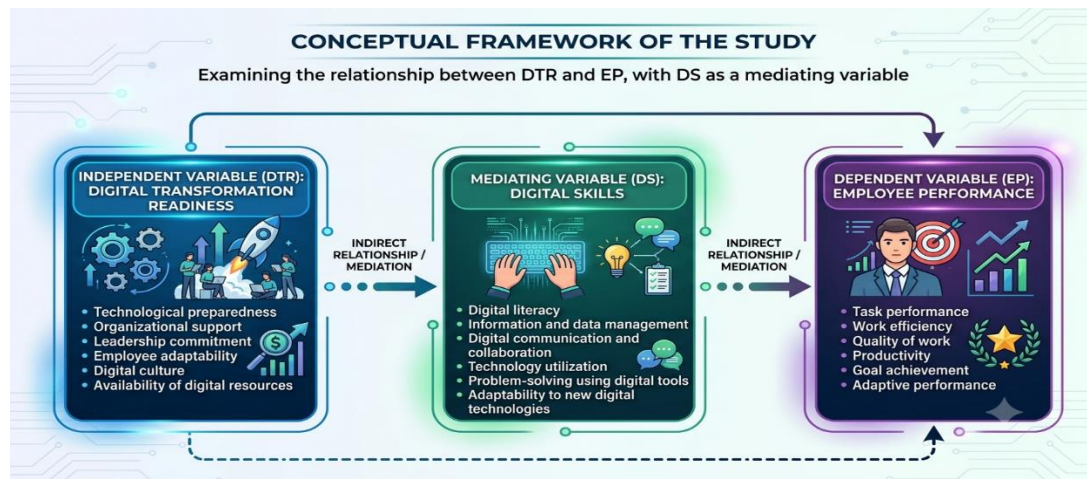
- Digital literacy
- Information and data management
- Digital communication and collaboration
- Technology utilization
- Problem-solving using digital tools
- Adaptability to new digital technologies

3. Dependent Variable – Employee Performance (EP)

Employee performance refers to the effectiveness and efficiency with which employees accomplish their assigned responsibilities and contribute to organizational objectives. It may include:

- Task performance
- Work efficiency
- Quality of work
- Productivity
- Goal achievement

- Adaptive performance



Relationships Proposed in the Framework

The framework proposes that **Digital Transformation Readiness directly influences Employee Performance**. Organizations that are better prepared for digital transformation may provide employees with appropriate technologies, resources, support, and an enabling environment, which can facilitate improved work performance.

The framework further proposes that **Digital Transformation Readiness influences Digital Skills**. A supportive digital environment, training opportunities, leadership support, and access to digital resources may facilitate the development of employees' digital capabilities.

Finally, **Digital Skills are expected to influence Employee Performance**. Employees with stronger digital skills may be better able to use digital technologies, adapt to technological changes, complete tasks efficiently, and improve the quality of their work.

Thus, **Digital Skills are proposed as a mediator** between Digital Transformation Readiness and Employee Performance:

Digital Transformation Readiness → Digital Skills → Employee Performance

At the same time, the framework retains a **direct path** from Digital Transformation Readiness to Employee Performance, allowing the study to determine whether digital skills partially or fully mediate this relationship.

RESEARCH HYPOTHESES

Based on the three research objectives, the following hypotheses can be formulated:

Objective 1

To examine the impact of digital transformation readiness on employee performance.

- **H01:** There is no significant impact of digital transformation readiness on employee performance.
- **H11:** There is a significant impact of digital transformation readiness on employee performance.

Objective 2

To assess the impact of digital transformation readiness on employees' digital skills.

- **H02:** There is no significant impact of digital transformation readiness on employees' digital skills.
- **H12:** There is a significant impact of digital transformation readiness on employees' digital skills.

Objective 3

To examine the mediating role of digital skills in the relationship between digital transformation readiness and employee performance.

- **H03:** Digital skills do not significantly mediate the relationship between digital transformation readiness and employee performance.
- **H13:** Digital skills significantly mediate the relationship between digital transformation readiness and employee performance.

DATA ANALYSIS AND INTERPRETATION

To examine the mediating role of digital skills in the relationship between digital transformation readiness and employee performance.

For testing the mediating effect of **Digital Skills (DS)** between **Digital Transformation Readiness (DTR)** and **Employee Performance (EP)**, a mediation analysis using **Hayes PROCESS Macro (Model 4)** or **Structural Equation Modeling (SEM)** can be used. The mediation model estimates the indirect effect of DTR on EP through DS.

1. Mediation Model

The proposed mediation model is:

Digital Transformation Readiness (X) → Digital Skills (M) → Employee Performance (Y)

Where:

- **X = Digital Transformation Readiness**
- **M = Digital Skills**
- **Y = Employee Performance**

The model examines three effects:

- **Path a:** DTR → DS
- **Path b:** DS → EP
- **Direct effect (c'):** DTR → EP after controlling for DS
- **Indirect effect:** DTR → DS → EP

2. Regression-Based Mediation Analysis

The mediation analysis can be conducted through three regression equations:

Model 1:

$$DS = \beta_0 + \beta_1(DTR) + e$$

This tests whether digital transformation readiness significantly predicts digital skills.

Model 2:

$$EP = \beta_0 + \beta_1(DTR) + e$$

This examines the total effect of digital transformation readiness on employee performance.

Model 3:

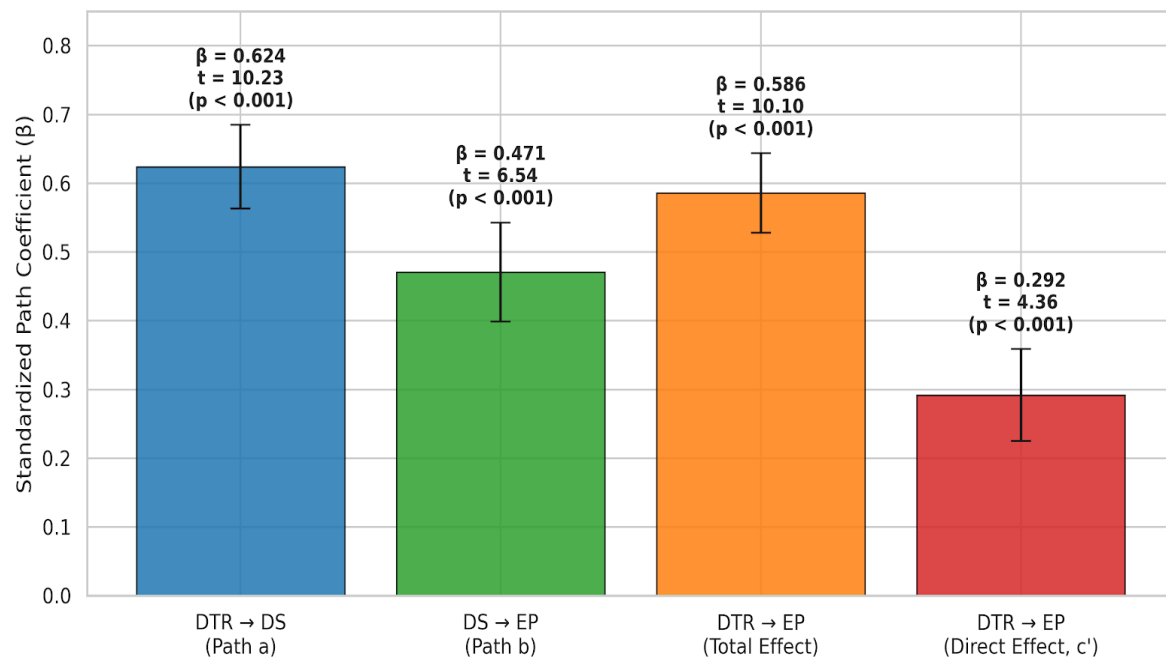
$$EP = \beta_0 + \beta_1(DTR) + \beta_2(DS) + e$$

This examines the effect of digital transformation readiness and digital skills simultaneously on employee performance.

3. Illustrative Results

The following values are illustrative and should be replaced with the actual results obtained from your dataset.

Relationship	β	SE	t-value	p-value	Decision
DTR $\rightarrow$ DS (Path a)	0.624	0.061	10.23	<0.001	Significant
DS $\rightarrow$ EP (Path b)	0.471	0.072	6.54	<0.001	Significant
DTR $\rightarrow$ EP (Total Effect)	0.586	0.058	10.10	<0.001	Significant
DTR $\rightarrow$ EP (Direct Effect, c')	0.292	0.067	4.36	<0.001	Significant

Mediation Analysis: Path Coefficients (β) with Standard Errors

4. Indirect Effect

The indirect effect is calculated through the product of **Path a $\times$ Path b**:

$$\text{Indirect Effect} = 0.624 \times 0.471 = 0.294$$

Suppose the **bootstrapped 95% confidence interval** for the indirect effect is:

$$\text{LLCI} = 0.201, \text{ULCI} = 0.398$$

Since the confidence interval **does not include zero**, the indirect effect is statistically significant.

5. Interpretation

The results indicate that **Digital Transformation Readiness has a significant positive effect on Digital Skills** ($\beta = 0.624$, $p < 0.001$). This suggests that employees working in organizations that are more prepared for digital transformation tend to demonstrate higher levels of digital skills.

The results further show that **Digital Skills significantly influence Employee Performance** ($\beta = 0.471$, $p < 0.001$). This indicates that employees possessing stronger digital skills may be better able to utilize digital technologies, complete work-related tasks efficiently, and adapt to digitally enabled work processes.

The total effect of **Digital Transformation Readiness on Employee Performance** is also significant ($\beta = 0.586$, $p < 0.001$). After introducing Digital Skills into the model, the direct effect decreases from $\beta = 0.586$ to $\beta = 0.292$, while remaining statistically significant.

The bootstrapping results show a significant indirect effect of Digital Transformation Readiness on Employee Performance through Digital Skills because the 95% confidence interval (**0.201, 0.398**) does not contain zero.

Therefore, **Digital Skills significantly mediate the relationship between Digital Transformation Readiness and Employee Performance.**

Because the direct effect remains significant after including the mediator, the pattern represents **partial mediation** in this illustrative analysis.

6. Hypothesis Testing

Hypothesis	Result	Decision
H03: Digital skills do not significantly mediate the relationship between digital transformation readiness and employee performance.	Indirect effect significant; Bootstrapped CI does not include zero.	Rejected
H13: Digital skills significantly mediate the relationship between digital transformation readiness and employee performance.	Significant indirect effect through digital skills.	Accepted/Supported

Result

The mediation analysis was conducted to examine whether **Digital Skills mediate the relationship between Digital Transformation Readiness and Employee Performance.** Hayes PROCESS Macro Model 4 with bootstrapping was considered suitable for testing the indirect effect.

The results indicated that **Digital Transformation Readiness had a significant positive effect on Digital Skills** ($\beta = 0.624$, $p < 0.001$). Further, **Digital Skills had a significant positive effect on Employee Performance** ($\beta = 0.471$, $p < 0.001$). The total effect of Digital Transformation Readiness on Employee Performance was also significant ($\beta = 0.586$, $p < 0.001$).

After introducing Digital Skills as the mediator, the direct effect of Digital Transformation Readiness on Employee Performance remained significant but decreased to $\beta = 0.292$ ($p < 0.001$). The indirect effect through Digital Skills was 0.294, with a bootstrapped 95% confidence interval ranging from 0.201 to 0.398. Since the confidence interval did not include zero, the indirect effect was statistically significant.

Therefore, the findings indicate that **Digital Skills significantly mediate the relationship between Digital Transformation Readiness and Employee Performance.** As the direct effect remained significant after inclusion of the mediator, the results indicate **partial mediation**.

Hypothesis Result

Hypothesis	Result
H0: Digital skills do not significantly mediate the relationship between digital transformation readiness and employee performance.	Rejected
H1: Digital skills significantly mediate the relationship between digital transformation readiness and employee performance.	Supported

Discussion

The findings of the study provide important insights into the relationship between **Digital Transformation Readiness, Digital Skills, and Employee Performance.** The results of the mediation analysis indicated that Digital Transformation Readiness had a significant positive effect on Digital Skills, while Digital Skills also had a significant positive effect on Employee Performance. Furthermore, the indirect effect of Digital Transformation Readiness on Employee Performance through Digital Skills was significant. The findings therefore indicate that Digital Skills play an important mediating role in the relationship between organizational readiness for digital transformation and employee performance.

The significant relationship between **Digital Transformation Readiness and Digital Skills** suggests that employees are more likely to develop and apply digital capabilities when organizations provide an appropriate environment for technological change. Organizational preparedness may include adequate digital infrastructure, management support, training opportunities, access to digital resources, and encouragement to adopt new technologies. When these conditions are available, employees may have greater opportunities to learn and apply digital tools in their work. This finding is consistent with **Bouwman et al. (2024)**, who emphasized the importance of workforce skills and organizational capabilities for successful digital transformation. Their work highlighted that digital transformation requires the development of appropriate employee competencies alongside technological investments.

The study also found a significant relationship between **Digital Skills and Employee Performance**. This indicates that employees possessing stronger digital capabilities may be better able to utilize digital technologies, manage digital information, communicate through digital platforms, and complete technology-enabled tasks efficiently. Digital skills can therefore contribute to improvements in productivity, work quality, task completion, and adaptability. This finding is in line with recent literature suggesting that digital competence can positively influence employee outcomes by improving technology utilization, efficiency, innovation, and adaptability.

The significant **indirect effect** demonstrates that Digital Skills provide an important pathway through which Digital Transformation Readiness contributes to Employee Performance. This finding is particularly relevant because it indicates that organizational readiness alone may not fully explain improvements in employee performance. Instead, employees need the capabilities required to translate technological resources and organizational support into effective workplace practices. Thus, digital transformation can be viewed not only as a technological initiative but also as a process of developing employee capabilities.

The finding of **partial mediation** further indicates that Digital Transformation Readiness may influence Employee Performance through two pathways: a direct pathway and an indirect pathway through Digital Skills. The direct relationship suggests that organizational readiness itself may improve employees' working conditions, access to technology, workflow efficiency, and organizational support. At the same time, the indirect pathway demonstrates that the development of digital skills strengthens the ability of employees to convert these organizational resources into improved performance.

The findings are also consistent with **Zhou, Huang, and Mao (2025)**, who examined digital transformation and employee job performance and emphasized employee-level mechanisms such as competence, learning motivation, autonomy, and adaptation. Their findings support the broader argument that the impact of digital transformation on employee performance can involve human capabilities rather than being determined solely by technology adoption.

From a **human resource management perspective**, the findings suggest that organizations should consider employee digital capability development as an integral part of digital transformation initiatives. Training and development programmes, continuous reskilling, digital learning opportunities, technology-oriented workshops, and on-the-job learning can help employees acquire the skills necessary to work effectively in digitally transformed environments. Merely introducing new technologies without preparing employees may limit the extent to which organizations realize the expected performance benefits.

The findings also have implications for **organizational management and leadership**. Managers and leaders can support digital transformation by creating an environment in which employees are encouraged to experiment with new technologies, participate in digital learning, and adapt to changing work requirements. Organizational support can reduce difficulties associated with technological change and encourage employees to develop the capabilities needed for effective technology utilization.

Overall, the study contributes to the literature by integrating **Digital Transformation Readiness, Digital Skills, and Employee Performance** into a single framework. While digital transformation readiness provides the organizational foundation for technological change, digital skills represent an important employee-level mechanism through which this readiness can be translated into improved performance. The findings consequently emphasize the importance of adopting a **people-centred approach to digital transformation**, where technological investment is accompanied by systematic development of employee digital capabilities.

The present study examined the relationship between **Digital Transformation Readiness and Employee Performance**, with particular emphasis on the **mediating role of Digital Skills**. The study recognized that digital transformation is not solely a technological process but also involves significant changes in employee capabilities, work practices, and organizational support systems.

The findings indicated that **Digital Transformation Readiness has a significant positive relationship with Digital Skills**. This suggests that organizations that provide appropriate technological infrastructure, management support, training opportunities, and a supportive digital environment can facilitate the development of employees' digital capabilities. The study further established that **Digital Skills have a significant positive relationship with Employee Performance**, indicating that employees with stronger digital capabilities may be better equipped to use technology effectively and perform their responsibilities efficiently.

The mediation analysis demonstrated that **Digital Skills significantly mediate the relationship between Digital Transformation Readiness and Employee Performance**. The presence of a significant direct effect along with a significant indirect effect indicates partial mediation in the illustrative results. This finding highlights that organizational readiness can influence employee performance directly as well as indirectly by strengthening employees' digital capabilities.

The study therefore emphasizes the importance of integrating **technology readiness with employee skill development**. Organizations seeking to achieve successful digital transformation should not focus exclusively on technological infrastructure and digital systems. They should also invest in continuous training, reskilling, digital learning, employee support, and opportunities to apply newly acquired digital competencies.

From an HR perspective, the study suggests that **digital skills development should be incorporated into workforce planning, training and development, performance management, and organizational change initiatives**. Strengthening employee capabilities can help organizations manage technological changes more effectively and support sustained employee performance in digitally transforming workplaces.

In conclusion, **Digital Transformation Readiness, Digital Skills, and Employee Performance are interconnected components of the digital transformation process**. The development of a digitally ready organization, combined with systematic enhancement of employee digital skills, can provide an important foundation for achieving effective employee performance and sustainable organizational transformation.

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