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The Impact of Organizational Readiness on Financial and Project Performance from the Employee's Perspective: A Case Study

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Abstract: The COVID-19 pandemic forced non-essential sectors to limit operations, leading to financial decline. Organizational readiness to adopt digital technology has become critical for firms' survival. However, limited empirical research has explored the correlation between organizational readiness, financial performance, and project performance. This study aims to address this gap by examining these relationships. Using a quantitative approach, this study employed non-probability purposive sampling, collecting 85 data points between December 27, 2021, and January 27, 2022. A total of 30 indicators were used to measure five research constructs, and the data were analyzed using the PLS-SEM method with SmartPLS software. The findings indicate that organizational readiness positively influences project performance through the mediating effect of organizational capabilities, specifically dynamic capabilities and project management capabilities. Both dynamic capabilities and project management capabilities positively affect project performance. Additionally, the study reveals a positive correlation between project performance and financial performance. However, dynamic capabilities do not significantly impact project management capabilities. This study suggests that top management should optimize the utilization of existing assets, enhance technical capabilities, align resources with strategic objectives, foster innovation, secure organizational support, cultivate an innovative work environment, and maintain a clear business vision.

Keywords: Organizational readiness, project performance, financial performance, organizational capabilities, dynamic capabilities.

Introduction

The COVID-19 pandemic has drastically altered the global social and economic landscape [1], leading to the curtailment of non-essential economic activities [2]. This has resulted in widespread financial distress worldwide [3], and Indonesia is no exception. Indonesia's 2020 economic growth target of 5.3% contracted to -2.3%, significantly impacting businesses, including a company in which this study was conducted (The Company).

The Company is an engineering consulting firm specializing in the construction and mining sectors, focusing on oil, gas, and geothermal energy [4] projects. The company's directors, owners, and managers collectively recognize that the organization is experiencing substantial financial pressure. The pandemic-induced reduction in project availability has led to a notable decline in financial performance. Project-based organizations' primary contribution to operational processes is derived from project execution [5]. Furthermore, the Company's core business operations, primarily consulting services, generate a single revenue stream, exacerbating its financial decline.

As previously mentioned, there is a widespread perception that Company's project management capabilities—specifically, its ability to effectively manage projects within the constraints of scope, time, and budget—are inadequate. Researchers have found that such deficiencies negatively impact project performance, leading to inefficiencies [6], failure to meet stakeholder expectations, and dissatisfaction with project outcomes [7]. Since financial performance is significantly influenced by project performance [8], [9], addressing this issue is critical.

This phenomenon can be examined from organizational capabilities, which encompass two key aspects: (a) the ability to carry out day-to-day operational tasks and (b) the capacity to adapt, innovate, and evolve [10]. From

this perspective, it is crucial to assess whether the Company is developing its operational capabilities. This study refers to operational capabilities as project management capabilities, which include the various tasks and frameworks necessary to oversee a project effectively, from initial client and sponsor engagement to the tendering process and successful project delivery [11].

Simultaneously, the COVID-19 pandemic has accelerated digital transformation across societal and industrial sectors. Measures to reduce viral transmission have necessitated the development of new digital strategies as substitutes for traditional interaction methods. While some businesses have struggled, others, particularly those in internet-based sectors such as food delivery, online shopping, and remote work solutions, have experienced significant growth and success. These successful enterprises are believed to have progressively embraced digital technologies to enhance operational efficiency and optimize processes [12]. The COVID-19 crisis has demonstrated the markets' dynamic nature and capacity for rapid fluctuations [13]. Therefore, organizational readiness is critical for a company's survival during and after the pandemic [1].

Organizational readiness refers to a company's ability to adapt to digital changes by evaluating IT infrastructure, human resources, digital strategies, and organizational culture to support business process improvements in a digital or virtual environment [14]–[17]. Furthermore, this study underscores the Company's need to cultivate dynamic capabilities, which involve adapting and evolving in response to changing and innovative environments. Dynamic capabilities enable organizations to integrate, develop, and reconfigure internal and external competencies in response to an evolving business landscape [18].

Previous studies have predominantly employed firm-level measurements to analyze these factors [15], [19], [20]. However, employee perceptions of company performance are equally important, as they significantly influence organizational effectiveness, employee engagement, and overall business success. Employees' views on various aspects—such as equality, diversity, and inclusion (EDI) [21]; performance systems [22]; corporate social responsibility (CSR) [23]; and human capital practices [24]—can either enhance or hinder a company's strategic objectives. Understanding these perceptions enables organizations to refine strategies to improve employee satisfaction, productivity, and financial performance [25], [26]. Consequently, this study employs employee perceptions to assess the framework within a single organization, i.e. the Company.

Given this context, there remains an unexplored gap regarding the extent to which organizational readiness influences project performance [27], [28]. Additionally, it is unclear whether organizational capabilities—specifically, project management and dynamic capabilities—mediate this relationship directly or indirectly [19], [29], [30]. Further research is needed to examine the relationship between project management and dynamic capabilities [11]. To address this, this study conducted a bibliometric analysis to assess the impact of existing literature and highlight the novelty of this research. The analysis was performed using network visualization software, with bibliographic citation data extracted from Scopus-indexed journals. The selected keywords included "organizational readiness," "project management capabilities," "dynamic capabilities," "project performance/project success," and "financial performance." A co-occurrence map derived from text data is presented in Figure 1.

The findings from the bibliometric analysis indicate that previous studies have not yet empirically examined the linkage between these five constructs. Thus, this research aims to bridge the gap by developing a model that integrates these variables. To achieve this, the study is guided by the following research questions: (1) How does the model depict the impact of organizational readiness on project and financial performance? (2) How do organizational capabilities contribute to the correlation between organizational readiness and project and financial performance?

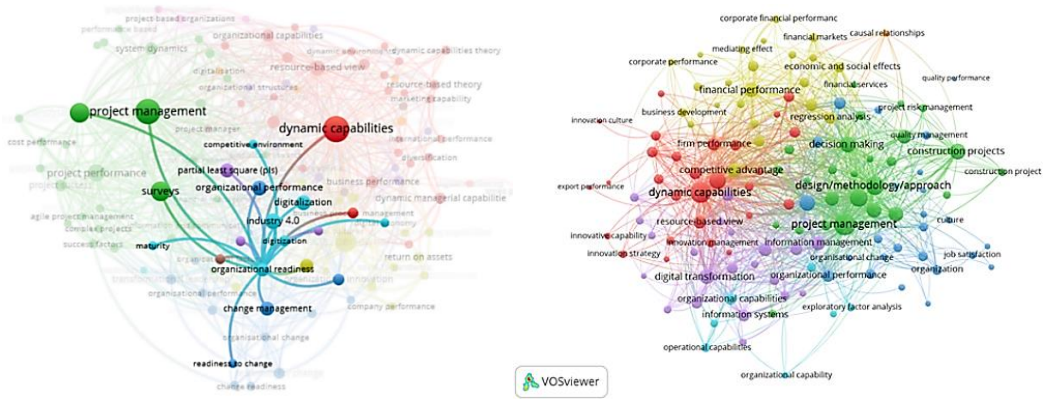

Figure 1. Bibliometric analysis results

In addition to addressing this research gap, this study provides several novel contributions to the existing literature. First, it examines the impact of organizational readiness on project and financial performance by considering the mediating effects of dynamic capabilities and project management capabilities. Second, it introduces a theoretical framework integrating change management theory and the dual routines framework to enhance project and financial performance. Third, this study offers practical insights for top management in project-based organizations, serving as a guideline for ensuring organizational readiness, enhancing dynamic capabilities and project management capabilities, and improving overall project and financial performance.

Methods

Reference Model and State-of-the-Art

This study employs several reference models to formulate the research model and illustrate the contextual framework. First, the study by Hermano and Martín-Cruz serves as the primary reference due to its focus on assessing financial and project performance in project-based companies through the lens of organizational capabilities. Additionally, their model extensively applies the dual-routines theory framework. However, due to the limited number of respondents within the company and the model's simplicity, the portfolio performance variable was excluded from the research model.

Furthermore, the models developed by Ram *et al.* [15] and Garrido-Moreno *et al.* [19] are incorporated to explain the impact of organizational readiness on project management and dynamic capabilities.

Literature Review

Perceived Organizational Readiness

Table 1. Reference models & state of the art

Research Construct	Ram *et al.* (2015)	Hermano & Martin-Cruz (2016)	Garrido-Moreno *et al.*	Current Research
Organizational Readiness	√		√	√
Top Management Involvement		√		
Project Management Capability	√	√		√
Dynamic Capability		√	√	√
Training & Education	√			
Business Process Reengineering	√			
System Integration	√			
Project Performance		√		√
Portfolio Performance		√		
Financial Performance				√
Firm Performance		√	√	
Additional Information				
Analysis Method	SEM	PLS-SEM	SEM	PLS-SEM
Validated Research Sample	209	62	212	80
Research Object	Companies in Australia have integrated ERP systems	Management & engineering consultant, oil and gas metals company in 22 countries	Spain's hospitality industry	The Company and its company partners

The concept of readiness is deeply rooted in the extensive body of literature on change management. Research has widely discussed organizational readiness, often referred to as organizational IT readiness or digital maturity [31], [32]. These studies argue that maturity and readiness are conceptually equivalent and share similar attributes [31]. Furthermore, organizational readiness reflects an organization's belief or evaluation of

its capabilities and resources to achieve a specific goal, project, or change [15]. This study presents a comprehensive definition of organizational readiness, emphasizing the efficient utilization and optimization of resources to enhance business processes within a virtual or digital environment. Additionally, other studies define readiness as an organization's level of preparedness to adopt and integrate information technology (IT) into its operations [33]. Another perspective defines organizational readiness as a strategic advantage gained through the transformation of core business operations from traditional to digital procedures 1]. These varying definitions indicate that establishing a clear and concise definition of readiness remains challenging. The concept of readiness varies depending on the context, situation, and application.

Two distinct perspectives often analyze organizational readiness in the field of change management: (a) the structural perspective and (b) the psychological perspective [34]. From a structural perspective, it is crucial for a company to possess essential structural characteristics that facilitate change. In this context, organizational readiness encompasses a range of dimensions, including organizational resources, technical resources and capabilities, human resources, knowledge, and skills. Some studies further expand these dimensions to include IT infrastructure readiness, cultural factors, vision, and strategy. Conversely, from a psychological perspective, the focus is on the employees' intentions, beliefs, and attitudes within the organization. This perspective uses the term "readiness" to encompass three distinct concepts: individual readiness for change, which emphasizes one's belief in their own capabilities or self-efficacy; perceived organizational readiness for change, which refers to the level of confidence in an organization's ability to successfully manage and navigate change; and an assessment of the organization's readiness to embrace change, with a specific focus on its capacity to effectively execute change initiative.

Organizational Capabilities

Organizational capabilities can be classified into two distinct categories. The first involves the ability to execute a company's operational or functional tasks, characterized as static or routine. The second category pertains to an organization's capacity to periodically adapt, change, and rejuvenate itself, commonly referred to as dynamic capabilities. Experts classify organizational capabilities into two primary categories: (a) operational capabilities and (b) dynamic capabilities [11]. Operational capabilities enable a company to consistently support its existing products and services for the same customer base using established methods. Meanwhile, dynamic capabilities refer to an organization's ability to effectively adapt, integrate, and reconfigure internal and external resources to navigate rapidly evolving business environments [18]. Dynamic capabilities play a crucial role in strategically transforming an organization by reconfiguring its resource base, whereas operational capabilities focus on efficiently executing and coordinating routine operational tasks to achieve daily business objectives.

Perceived Project Management Capabilities

In this study, the term "operational capabilities" refers to project management capabilities, which encompass the necessary systems and processes for effectively managing various project stages. These stages include engaging with sponsors and clients, developing project tenders, and delivering projects to customers [11]. In project-based enterprises, researchers emphasize that the effective execution of successful projects is of paramount importance [35]. In the late 1990s, project-based organizations strategically adjusted their approach to deliver innovative products and services, formulating the concept of project management capabilities. This study employs perceived project management capabilities as a measurement method, referring to the degree of confidence in an organization's project management capabilities. Previous studies have widely adopted this method to assess organizational capabilities [36].

Perceived Dynamic Capabilities

Two primary bodies of literature form the foundation of research on dynamic capabilities. The first defines dynamic capabilities as a firm's ability to efficiently integrate, cultivate, and adjust internal and external skills to keep up with a rapidly changing environment [37]. This study categorizes dynamic capabilities into three key components: (a) the ability to identify and respond to opportunities and threats, (b) the ability to capitalize on opportunities, and (c) the ability to sustain competitiveness by enhancing, connecting, protecting, and potentially reorganizing tangible and intangible assets. This perspective investigates the interaction between technology, organizational performance, and strategy within a dynamic business environment. In this framework, dynamic capabilities encompass top management's ability to actively adapt, integrate, and restructure internal and external resources in response to evolving technology and market conditions.

The second body of literature defines dynamic capabilities as the planned process of combining, rearranging, acquiring, and utilizing resources to effectively respond to and potentially influence market changes. The "dynamism hood" concept refers to the strategic routines organizations establish to adapt and generate new resource configurations in response to market evolution, including emergence, development, fragmentation, and decline. This approach classifies markets into two categories: moderately changing markets (dynamic markets) and rapidly changing markets (high-speed markets). In relatively stable markets, dynamic capabilities function as well-established operational protocols, decision-making frameworks, and problem-solving methods derived from tacit knowledge. The utilization of dynamic capabilities allows organizations to efficiently assess market demand and adapt to evolving business landscapes. Recent studies emphasize the importance of specific organizational capabilities in ensuring innovation stability, particularly dynamic capabilities [38]. This study employs perceived dynamic capabilities as a measurement method, referring to the degree of confidence in an organization's dynamic capabilities, a methodology previously used in assessing organizational capabilities [36].

The Dual-Routines Framework

The dual-routines framework explores the relationship between dynamic capabilities and project management capabilities within a dynamic business environment [11]. This framework provides significant insights into how organizations can efficiently develop and deploy project capabilities to enhance overall ambidexterity. At the strategic level, dynamic capabilities play a critical role in shaping these processes. Directors and management rely on dynamic capabilities—such as knowledge accumulation and strategic process implementation—to oversee project management effectively. The identified capabilities encompass tasks such as human resource allocation and project management tool utilization. To maintain a competitive advantage in rapidly changing environments, management must carefully evaluate the timing and methodology for implementing innovative ideas, including the introduction of new technologies, products, and services.

Perceived Project Performance

Project performance is distinct from project management success. Over time, the concept of project success has evolved beyond simply meeting time, cost, and scope constraints to a broader focus on fulfilling stakeholder requirements. Project performance [39], also referred to as project success [7], [8], [40], [41] or project management performance [42], is measured through various factors. Researchers distinguish three levels of project success: project management success (adherence to schedule and budget), project delivery success (customer satisfaction), and repeatable project delivery success. The most critical objective for long-term organizational success is repeatable project delivery success, which surpasses the other two.

Other researchers propose a methodology for evaluating project success based on three distinct perspectives: the client perspective (focused on deliverables such as scope, quality, and client satisfaction), the team perspective (concerned with the process of generating deliverables), and the entrepreneurial perspective (centered on financial and commercial aspects) [40]. This study measures project performance through perceived project performance, as evaluated by employees and company partners. Key criteria include project efficiency, organizational profitability, impact on future projects, potential for future success, and stakeholder satisfaction [7], [40]. Additional indicators include adherence to expected time, cost, and quality standards [8], [41], [42], as well as customer satisfaction, employee productivity, and overall company profitability [43], [44]. Furthermore, there is often a disparity between stakeholder expectations and actual perceptions of project performance [45]. This study aims to address this gap by assessing project performance from the perspective of employees and company partners.

Perceived Financial Performance

Researchers have conducted numerous studies over the past three decades to assess financial performance using statistical analysis techniques and various financial ratios. Financial performance analysis refers to the process of evaluating a company's strengths and limitations by examining the relationship between income statement and balance sheet component. It serves as a critical indicator of a company's operational efficiency in resource allocation and overall economic health, ultimately contributing to shareholder wealth and profitability [46]. Financial performance encompasses a business's ability to generate profits, manage expenses, and sustain long-term growth. Stakeholders, including investors, management, and analysts, must thoroughly understand financial performance to assess an organization's profitability, liquidity, solvency, and overall financial stability. According to the literature [47], financial performance can be evaluated using two primary methods. The first is an objective approach, which involves analysing absolute performance measures

such as pre-tax profit, sales revenue, and assets. The second is a subjective approach, which relies on stakeholders' perceptions of performance. In this context, performance is assessed by comparing a company's financial outcomes with its expectations—based on current and previous fiscal years—and benchmarking against competitors using key performance indicators (KPIs), such as customer retention, profitability, return on investment (ROI), and overall financial performance [9], [48], [49].

Development of Hypotheses

Perceived Organizational Readiness and Perceived Project Performance

The most critical factor in determining a company's survival is its organizational readiness to embrace digitalization and transform traditional businesses into digital-based enterprises [1]. Furthermore, research supports this statement, demonstrating that organizational readiness significantly influences organizational performance [19]. This holds true for all types of organizations, including project-based ones. Project-based work plays a major role in contributing to the financial performance of project-based companies [5], making project performance vital to a company's sustainability [8]. Numerous studies have corroborated this logical assertion. For example, studies show a significant correlation between organizational readiness and various critical success factors, such as project management and business process re-engineering [15], positioning it as a crucial precondition for successful IT implementation [34]. Additionally, readiness for change positively influences the perception and acceptance of new IT solutions, contributing to overall project success [50] and reinforcing the importance of readiness in successful project implementation [51]. Therefore, the study proposes the following as the first hypothesis:

H_1: Perceived organizational readiness has a positive and significant effect on perceived project performance.

Perceived Organizational Readiness and Perceived Dynamic Capabilities

Previous studies have shown that organizational readiness significantly influences dynamic capabilities. Moreover, organizational readiness enables firms to recognize opportunities and adapt their capabilities to overcome rapidly evolving environments [19]. In another study, the relationship between dynamic capabilities and organizational readiness was investigated within the context of Industry 4.0 in the Indonesian automotive manufacturing sector, revealing a positive relationship between dynamic capabilities and Industry 4.0 readiness [52]. This underscores the importance of dynamic capabilities in preparing organizations for technological advancements. Therefore, the study proposes the following as the second hypothesis:

H_2: Perceived organizational readiness has a positive and significant effect on perceived dynamic capabilities.

Perceived Organizational Readiness and Perceived Project Management Capabilities

Previous research has identified a potential link between organizational readiness (OGRD) and four critical success factors (CSFs) for the successful implementation of ERP projects, including project management [15]. The research found a substantial and positive correlation between OGRD and these CSFs, indicating a relationship between project management capabilities and organizational readiness. Moreover, studies by other scholars [53] support this result. Furthermore, the digitalization era necessitates new project management competencies, categorized into technical, behavioral, and contextual skills. Employees' readiness to implement advanced technologies is essential for maintaining a competitive advantage. Therefore, the study proposes the following as the third hypothesis:

H_3: Perceived organizational readiness has a positive and significant effect on perceived project management capabilities.

Perceived Dynamic Capabilities and Perceived Project Management Capabilities

The impact of dynamic capabilities on project management has been the focus of numerous studies. For example, a prior investigation examined the relationship between dynamic capabilities and project capabilities, positing that they are mutually reinforcing [11]. Furthermore, a separate study identified specific dynamic capabilities essential for managing large, complex projects, exemplified by the Heathrow Terminal 5 case. Other research explores how senior management cultivates operational and dynamic capabilities, thereby influencing project and portfolio performance and highlighting the mediating role of these capabilities in firm performance [9]. Therefore, the study proposes the following as the fourth hypothesis:

H_4: Perceived dynamic capabilities have a positive and significant effect on perceived project management capabilities.

Perceived Dynamic Capabilities and Perceived Project Performance

Although no prior study has directly tested the statistical correlation between dynamic capabilities and project performance, several studies have explained how dynamic capabilities impact project performance. For instance, studies have found that senior management's dynamic capabilities can assist organizations in confronting project uncertainties and achieving optimal project performance [11] in both the short and long term. Additionally, one study revealed that these capabilities do not directly affect firm performance, but instead do so indirectly by enhancing project, program, and portfolio performance [9]. Therefore, the study proposes the following as the fifth hypothesis:

H_5: Perceived dynamic capabilities have a positive and significant effect on perceived project performance.

Perceived Project Management Capabilities and Perceived Project Performance

Numerous studies have found a correlation between project management capabilities and project performance. For example, a study found that project management capabilities significantly impact project performance [9], [54], and project success [7]. Furthermore, effective project management capabilities are crucial for achieving project success, particularly across varying project types [55]. Therefore, the study proposes the following as the sixth hypothesis:

H_6: Perceived project management capabilities have a positive and significant effect on perceived project performance.

Perceived Project Performance and Perceived Financial Performance

A prior study discovered that project performance significantly and directly impacts financial performance [9]. This finding aligns with other research, suggesting that project performance plays a key role in determining investment success [54]. Therefore, the study proposes the following as the seventh hypothesis:

H_7: Perceived project performance has a positive and significant effect on perceived financial performance.

Research Model

A research model was developed based on reviews of existing reference models [9], [15], [19]. Figure 2 illustrates the development of the conceptual model in accordance with the proposed hypotheses.

Research Design

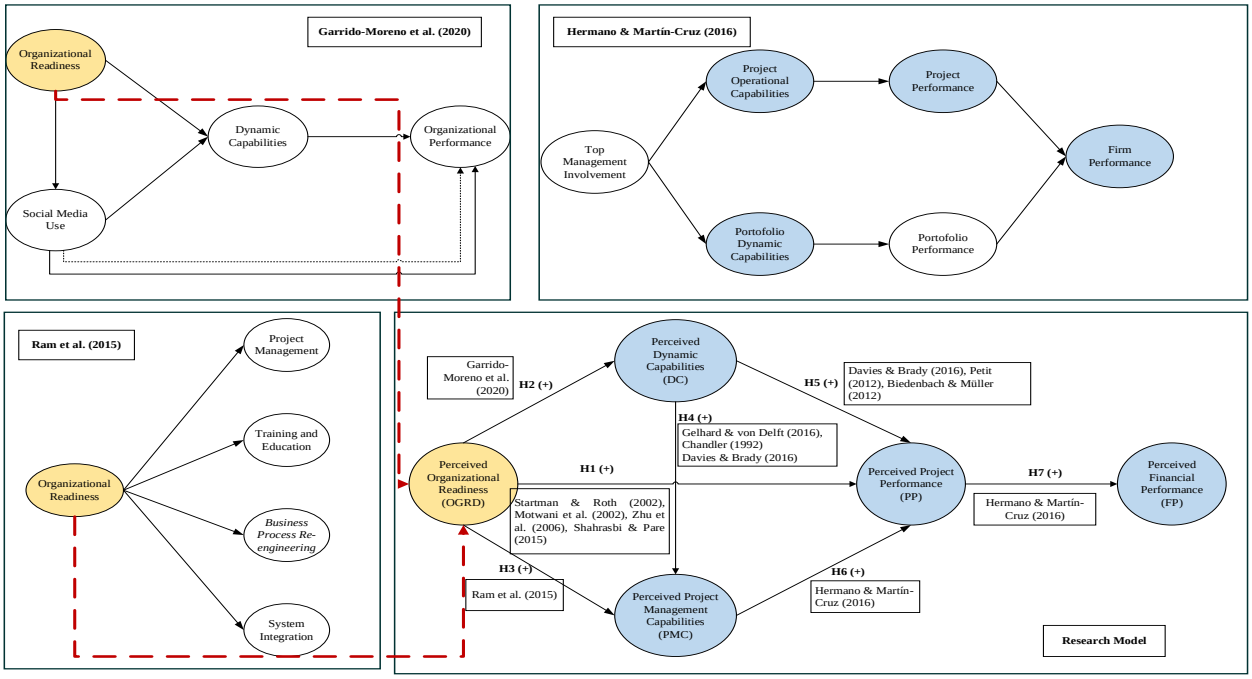

Figure 2. The conceptual model

Table 2. Research indicators

Latent variables	Manifest variables	Code	
Organizational Readiness	IT Infrastructure	OGRD1	Our organization has access to a range of emerging technologies, including cloud computing, mobile solutions, social media, and big data analytics, to facilitate digital transformation.
		OGRD2	Our IT infrastructure is stable, up-to-date, and reliable.
	Human Resource	OGRD3	Our organization possesses the knowledge and technical expertise required for IT management.
		OGRD4	We have the capability to integrate IT into business processes effectively.
	Strategic Vision & Alignment	OGRD5	Our company has a well-defined strategy for digital transformation.
		OGRD6	The senior executive team has a clear understanding of digital technology capabilities and how they support business objectives.
	Culture	OGRD7	We effectively communicate our digital vision both internally and externally.
		OGRD8	A culture of digital innovation and change is naturally embedded within our organization.
Dynamic Capabilities	Sensing	DC1	We are proactive in detecting new opportunities and identifying solution options for projects.
		DC2	We effectively identify emerging trends in customer needs.
	Seizing	DC3	We capitalize on business opportunities as they arise.
		DC4	We leverage new product development opportunities that emerge from advancements in digital technologies.
	Reconfiguring	DC5	We respond effectively to changes in our operating environment.
		DC6	Our managers and directors have well-defined procedures for reallocating human resources.
Project Management Capabilities	Process Management	PMC1	Project processes are standardized.
	Continuous Improvement	PMC2	A continuous improvement process is in place, focusing on project management.
	Project Management Training	PMC3	Project managers receive formal training before the commencement of projects.
	Knowledge Management Transfer	PMC4	A dedicated information system is implemented to manage and share project-related knowledge.
	Project Management Awareness	PMC5	There is a strong organizational awareness of the importance of project management for business success.
		PMC6	Project management is explicitly integrated into the organization's strategic planning.
	Project Management Software	PMC7	Project management software is incorporated into the scope of each project.
Project Performance	Project Efficiency	PP1	Projects are completed on time.
		PP2	Projects are completed within budget.
	Stakeholder Satisfaction	PP3	Projects experience a minimal number of agreed scope changes.
		PP4	Projects prioritize client satisfaction.
		PP5	Projects achieve the organizational objectives established at the outset.
Financial Performance	Customer Retention	FP1	Our firm demonstrates strong customer retention.
	Profitability	FP2	Our firm achieves a higher level of profitability.
	ROI	FP3	We attain a higher return on investment (ROI).
	Overall Financial Performance	FP4	We experience overall improvement in financial performance.

This study breaks down latent variables (constructs) into manifest variables (question items). Manifest variables reflect the latent variables. The manifest variables selected from previous studies were chosen based on rigorous criteria. These criteria include: (a) factors with the highest factor loadings and convergent validity, (b) their relevance to the study's objectives and background, (c) the theoretical perspective employed, and (d) the study's relevance to the context of the post-pandemic environment. A redundancy analysis evaluates convergent validity by examining the correlation between the indicators and the constructs. This study recommends that the measured constructs should account for at least 50% of the variance in the indicators,

which corresponds to a value of 0.708. This finding confirms the reliability of the selected indicators in accurately representing their underlying variables. The survey consists of 30 questions, each using a Likert scale. The measurement scale ranges from 1 to 5, with a score of 5 indicating strong agreement, 4 indicating agreement, 3 indicating uncertainty, 2 indicating disagreement, and 1 indicating strong disagreement. Table 2 presents the analyzed research indicators.

Additionally, company partners who have engaged in partnerships with the Company were included in the sample. These partners must have utilized the company's consulting services on at least two occasions, indicating both the Company's established reputation and external organizations' trust in its expertise.

The minimum sample size was determined using the minimum R^2 approach. Given a minimum R^2 value of 0.25 and a total of seven arrows directed toward the construct, the anticipated number of validated respondents was 80. The questionnaire was distributed via an online platform, and data was collected using Microsoft Forms. During the data collection process, respondent characteristics were also documented.

Data Collection

This study employs a non-probability sampling method, specifically purposive sampling. The sample was selected from a targeted population comprising employees at all hierarchical levels within the Company, including staff members, managers, and directors. To ensure relevant experience, staff members were required to have participated in and contributed to at least one project team. This criterion ensures that all selected employees have firsthand experience working in collaborative environments.

Table 3. Respondent characteristics

Respondent characteristics	Category	Quantity	Percentage
Age	<30 years	34	40%
	30-45 years	42	49%
	>45 years	9	11%
Education	High School	17	20%
	Diploma	6	7%
	Bachelor's Degree	46	54%
	Master's/Doctoral	16	19%
Company	Internal	56	66%
	Partner	29	34%
Position	Staff	65	76%
	Top Management	20	24%
Work Experience	<1 year	8	9%
	1-2 years	6	7%
	2-3 years	15	18%
	3-4 years	7	8%
	4-5 years	5	6%
	>5 years	44	52%
Status	Contract	29	34%
	Permanent	54	64%
	Freelance	2	2%

Results and Discussions

An Evaluation of the Measurement Model

The research model was tested using partial least squares structural equation modeling (PLS-SEM) with the statistical software SMARTPLS 3. Table 4 presents the constructs' means, standard deviations, and correlation matrix. A reflective measurement model was employed to assess multiple testing criteria, including (1) Internal consistency reliability, evaluated using composite reliability (CR), (2) Convergent validity, assessed through outer loadings and average variance extracted (AVE) values, and (3) Discriminant validity, examined using cross-loadings, the Fornell-Larcker criterion, and the heterotrait-monotrait (HTMT) ratio of correlations. The results of the internal consistency reliability test (Table 5) indicate that all constructs achieved a CR value exceeding 0.8, demonstrating a high level of reliability. In the convergent validity assessment (Table 5), most outer loading values surpassed the 0.7 threshold, and the AVE exceeded 0.5. However, certain indicators did not meet these criteria. Following the established threshold, indicators PMC4, PMC5, and DC1 were removed,

which significantly improved both the AVE and CR values. Conversely, OGRD2, OGRD8, and DC2 were retained despite failing to meet the threshold, as their removal would have negatively impacted AVE and CR values.

The results of the discriminant validity test (Table 6) indicate that all indicators and constructs satisfied the cross-loading, Fornell-Larcker, and HTMT criteria, with HTMT values remaining below the 0.9 threshold. Therefore, all variables were deemed to have sufficient discriminant validity.

Table 4. Means, standard deviations, and correlation matrix

Construct	Mean	SD	OGRD	DC	PMC	PP	FP
OGRD	3.821	0.896	1.000				
DC	3.996	0.728	0.744	1.000			
PMC	3.965	0.915	0.744	0.544	1.000		
PP	3.816	0.826	0.550	0.503	0.700	1.000	
FP	3.785	0.800	0.510	0.500	0.605	0.675	1.000

Note(s): SD = Standar Deviation; OGRD = Organizational Readiness; DC = Dynamic Capabilities; PMC = Project Management Capabilities; PP = Project Performance; FP = Financial Performance.

Table 5. Measurement model results

Construct	Indicator	Outer loading (≥ 0.7)	AVE (≥ 0.5)	CR (≥ 0.8)	Outcome
Organizational Readiness	OGRD1	0.731	0.557	0.909	Valid
	OGRD2	0.640			Maintained, valid
	OGRD3	0.753			Valid
	OGRD4	0.793			Valid
	OGRD5	0.809			Valid
	OGRD6	0.786			Valid
	OGRD7	0.802			Valid
	OGRD8	0.636			Maintained, valid
Dynamic Capabilities	DC1	0.631	0.544	0.856	Eliminated
	DC2	0.693			Maintained, valid
	DC3	0.713			Valid
	DC4	0.728			Valid
	DC5	0.744			Valid
	DC6	0.806			Valid
Capabilities Management Project	PMC1	0.771	0.607	0.885	Valid
	PMC2	0.789			Valid
	PMC3	0.775			Valid
	PMC4	0.828			Eliminated
	PMC5	0.730			Eliminated
	PMC6	0.837			Valid
	PMC7	0.711			Valid
Project Performance	PP1	0.750	0.565	0.866	Valid
	PP2	0.777			Valid
	PP3	0.713			Valid
	PP4	0.703			Valid
	PP5	0.809			Valid
Financial Performance	FP1	0.746	0.716	0.909	Valid
	FP2	0.868			Valid
	FP3	0.912			Valid
	FP4	0.849			Valid

Table 6. Fornell-Lacker testing results

Construct	Organizational Readiness	Dynamic Capabilities	Project Management Capabilities	Project Performance	Financial Performance
Organizational Readiness (OGRD)	0.747				
Dynamic Capabilities (DC)	0.727	0.738			
Project Management Capabilities (PMC)	0.728	0.520	0.779		
Project Performance (PP)	0.552	0.516	0.703	0.752	
Financial Performance (FP)	0.510	0.590	0.674	0.676	0.846

Note(s): Numbers on the diagonal represent AVE values. Off-diagonal values represent squared correlations between constructs.

An Evaluation of the Structural Model

This study acknowledges that the data were derived from employees' perceptions of their organization's capabilities and performance, which may introduce common method bias [11]. However, we conducted variance inflation factor (VIF) testing to assess multicollinearity among constructs (see Table 7). The results indicate that the VIF values ranged from 0.2 to 3.3, suggesting no significant multicollinearity concerns and confirming that the model is free from common method bias.

Furthermore, multiple methods were employed to rigorously evaluate the structural model: (1) the coefficient of determination (R^2) and cross-validation redundancy (Q^2) to assess the model's predictive accuracy and relevance; and (2) effect size (f^2) to evaluate the impact of exogenous constructs on the R^2 values of endogenous constructs.

The predictive accuracy assessment (see Table 8) classified the transition from the exogenous construct (OGRD) to the endogenous construct as moderate, with an R^2 value of 0.5. Additionally, a Q^2 value exceeding 0 confirmed the satisfactory predictive relevance of the exogenous construct (OGRD).

The effect size analysis (see Table 9) categorized the contribution of OGRD to R^2 for DC and PMC as large, while the contribution of DC to R^2 for PP was classified as small. The contribution of DC to R^2 for PMC and PP was assessed as very small, whereas the contributions of PMC to R^2 for PP and PP to R^2 for FP were classified as very large.

Table 7. Multicolinearity testing results

Construct	Organizational Readiness	Dynamic Capabilities	Project Management Capabilities	Project Performance	Financial Performance
Organizational Readiness (OGRD)		1.000	2.122		
Dynamic Capabilities (DC)			2.122	1.370	
Project Management Capabilities (PMC)				1.370	
Project Performance (PP)					1.000
Financial Performance (FP)					

Table 8. R^2 and Q^2 testing results

Endogenous constructs	R^2	Q^2
Dynamic Capabilities (DC)	0.529	0.278
Project Management Capabilities (PMC)	0.530	0.298
Project Performance (PP)	0.528	0.265
Financial Performance (FP)	0.455	0.313

Table 9. f^2 testing results

Construct	Organizational Readiness	Dynamic Capabilities	Project Management Capabilities	Project Performance	Financial Performance
Organizational Readiness (OGRD)		1.124	0.554	0.007	
Dynamic Capabilities (DC)			0.000	0.064	
Project Management Capabilities (PMC)				0.414	
Project Performance (PP)					0.835
Financial Performance (FP)					

Hypothesis Testing

The hypothesis testing procedure relies on the t-value associated with the path coefficient in the structural model evaluation. We assessed the mediation effects using the bootstrapping method, employing a minimum of 5,000 bootstrap samples and a significant threshold of 5%. Table 10 presents the results of hypothesis testing, while Table 11 reports the mediating effects of dynamic capabilities and project management capabilities.

Table 11 indicates that hypotheses H2, H3, H5, H6, and H7 are supported, with t-values of 14.06, 8.098, 2.042, 4.307, and 9.658, respectively. These results align with previous studies, reinforcing the validity of the proposed model. However, hypotheses H1 ($t = 0.649$) and H4 ($t = 0.714$) were not supported.

Table 10. Hypothesis testing results

Hypothesis	Path relationship	Path coefficient	t-value	Outcome
H_1	OGRD → PP	-0.101	0.649	NS
H_2	OGRD → DC	0.727	14.06**	S
H_3	OGRD → PMC	0.744	8.098**	S
H_4	DC → PMC	-0.021	0.714	NS
H_5	DC → PP	0.254	2.042**	S
H_6	PMC → PP	0.654	4.307**	S
H_7	PP → FP	0.674	9.658**	S

OGRD = Organizational Readiness; DC = Dynamic Capabilities, PMC = Project Management Capabilities; PP = Project Performance; FP = Financial Performance; S = Supported; NS = Not Supported; ** $p < 0.05$.

Table 11. Mediating effect testing of results of dynamic capabilities and project management capabilities

Relationship	Path coefficient	t-value	Outcome
OGRD → DC → PP	0.192	2.015**	Significant
OGRD → PMC → PP	0.462	3.586**	Significant

OGRD = Organizational Readiness; DC = Dynamic Capabilities, PMC = Project Management Capabilities; ** $p < 0.05$.

Discussion of Findings

The results of this study provide insights into the relationships between organizational readiness, dynamic capabilities, project management capabilities, project performance, and financial performance.

First, the findings indicate that H_2—perceived organizational readiness has a positive and significant effect on perceived dynamic capabilities—is supported, with a t-value of 14.06 ($p < 0.05$) and a path coefficient of 0.727. This result aligns with previous studies [19], [52]. It suggests that organizations employing information technology to identify customer trends, reconfigure internal competencies, and capitalize on opportunities for innovation and product development in dynamic markets enhance their dynamic capabilities. Consequently, project-based organizations that demonstrate a higher level of organizational readiness are better equipped to integrate digital technology with their existing resources, thereby strengthening their dynamic capabilities.

Second, the results show that H_3—perceived organizational readiness has a positive and significant effect on perceived project management capabilities—is supported, with a t-value of 8.098 ($p < 0.05$) and a path coefficient of 0.744, in line with previous studies [15], [53]. This finding suggests that organizations leverage information technology to identify best practices for effective project execution, encompassing planning, implementation, and evaluation.

Third, H_5—dynamic capabilities have a positive and significant effect on project performance—is supported, with a t-value of 2.042 ($p < 0.05$) and a path coefficient of 0.254, corroborating prior research [9], [11]. This suggests that enhancing an organization's dynamic capabilities contributes to improved project performance.

Fourth, H_6—perceived project management capabilities have a positive and significant effect on perceived project performance—is supported, with a t-value of 4.307 ($p < 0.05$) and a path coefficient of 0.654, consistent with previous studies [9], [11]. This finding further emphasizes that increased project management capabilities positively influence project performance.

Fifth, H7—project performance has a positive and significant effect on financial performance—is supported, with a t-value of 9.658 ($p < 0.05$) and a path coefficient of 0.674, reinforcing previous studies [9], [54]. This indicates that improved project performance leads to enhanced organizational financial performance.

Conversely, H1—perceived organizational readiness has a positive and significant effect on perceived project performance—is rejected, with a t-value of 0.649 ($p < 0.05$) and a path coefficient of -0.101. While this result contradicts some prior research, it aligns with studies that also found no significant relationship between organizational readiness and project performance [56], [57].

Field studies conducted through unstructured interviews at the Company further validate this finding. Despite the Company's ongoing efforts to integrate digital technology, leverage an IT-savvy workforce, and foster a culture of change, these initiatives have not yet yielded a measurable impact on project performance. This outcome can be attributed to the company's limited organizational capabilities, particularly in dynamic

and project management competencies. The potential moderating role of these two capabilities in the relationship between organizational readiness and project performance necessitated further investigation. Consequently, a mediation effect analysis was conducted (see Table 11), which concluded that dynamic and project management capabilities serve as full mediators between organizational readiness and project performance. Therefore, this research suggests that while a higher level of organizational readiness enhances dynamic capabilities and project management capabilities, these capabilities, in turn, are the key drivers of project performance improvement.

Additionally, H_4—perceived dynamic capabilities have a positive and significant effect on perceived project management capabilities—is rejected, with a t-value of 0.714 ($p < 0.05$) and a path coefficient of -0.021. This finding contradicts previous studies [10], [11] and may be influenced by several factors: (1) The Company exhibits relatively low project management capability. Although the company has successfully developed dynamic capabilities at the strategic level, such as discovering new projects and identifying customer trends, a gap remains between these strategic capabilities and their operational execution. This misalignment results in unmet expectations and could explain the lack of a significant relationship between dynamic capabilities and project management capabilities. (2) A previous study proposed a theoretical framework suggesting a reciprocal (loop) relationship between dynamic capabilities and project management capabilities [11]. To further explore this dynamic, we conducted an additional analysis to examine the impact of project management capabilities on dynamic capabilities. The findings indicate that project management capabilities do not significantly influence dynamic capabilities. Future research aiming to establish a causal relationship between these constructs could benefit from methodologies such as system dynamic modeling or structural equation modeling (SEM).

Theoretical Value

This study makes a novel contribution to the existing body of literature by providing insights into how firms can enhance financial performance through organizational readiness, dynamic capabilities, and project management capabilities in a rapidly evolving market following the COVID-19 pandemic. The contributions are threefold.

Firstly, the study addresses recent calls for further research into the precise relationship between organizational readiness and project performance as well as the potential mediating role of project management and dynamic capabilities [19], [29], [30]. Additionally, this study responds to previous research urging an exploration of the relationship between project management capabilities and dynamic capabilities [11].

Secondly, the empirical testing of the proposed research model offers an in-depth investigation into the specific mechanisms through which organizational readiness improves financial performance. The findings provide a comprehensive understanding of sequential relationships and key variables that contribute to enhanced financial performance. Furthermore, the results highlight the mediating role of dynamic capabilities and project management capabilities in the relationship between organizational readiness and project performance. In the present digital environment, organizational readiness—comprising IT infrastructure, human resources, strategic vision and alignment, and culture—is a necessary but insufficient condition for improving project performance. Financial vulnerability has been a significant issue for project-based organizations, particularly during periods of extreme uncertainty such as the COVID-19 pandemic. Therefore, the Company must develop dynamic capabilities to strategically capture relevant market information and utilize these capabilities as tools for both incremental and radical innovation [58]. By leveraging this information, the Company can enhance its operational and project management capabilities, equipping itself to handle new projects and clients more effectively.

Finally, this study demonstrates that change management theory initiates organizational change at the firm level for the Company, while dual framework theory extends the firm's ability to use change as a catalyst for innovation and improved operational practices. Achieving this requires enhancing the company's IT infrastructure, providing comprehensive human resource training, establishing efficient operational workflows, fostering a strong organizational culture, and improving decision-making capabilities and digital strategy formulation. According to experts, an organization's readiness level plays a crucial role in determining the commitment and effort invested by its members during the change process. This, in turn, leads to greater persistence in overcoming obstacles and ultimately contributes to a more successful implementation of change. Various studies have emphasized the positive impact of organizational readiness on critical outcomes

such as innovation, the ability to identify market opportunities, and improved operational capabilities. It is essential to recognize that projects have evolved beyond mere operational considerations and now serve as vital strategic instruments for achieving organizational objectives.

Managerial Implications

This study has significant implications for managerial decision making. Based on the findings, it identifies key challenges faced by the Company and proposes strategic solutions. Inspired by the Pareto principle, the study categorizes the results into five levels: level 1 (<1), level 2 (1–1.9), level 3 (2–2.9), level 4 (3–3.9), and level 5 (4–5). The classification criteria are as follows: organizational readiness—skeptics (<1), adopters (1–2.9), collaborators (3–3.9), and differentiators (4–5) [16]; project management and dynamic capabilities—initial (<1), repeatable (1–1.9), defined (2–2.9), managed (3–3.9), and optimizing (4–5); and project performance and financial performance—absence (<1), existence (1–2.9), survival (3–3.9), and maturity (4–5) [59].

According to Table 5, most variables are categorized at the upper levels. First, the Company's organizational readiness is classified at the collaborator level (3.821), indicating that the company is cooperative but not insights driven. Strong organizational readiness is crucial for thriving in an unpredictable business landscape. Senior management plays a vital role in fostering organizational readiness during the digital transformation process. Enhancing IT infrastructure, investing in human resource development, refining operational workflows, cultivating a strong organizational culture, and improving decision-making capabilities and digital strategy formulation are essential steps toward achieving this.

Second, the Company's project management capabilities and dynamic capabilities are at the managed level (DC: 3.996; PMC: 3.965). At this stage, the organization establishes quantitative quality goals for both project management and dynamic capabilities. An organizational measurement program evaluates productivity and quality across all project management and dynamic capability processes. However, achieving favorable financial outcomes requires more than just technical expertise in project management. Firms must also develop dynamic capabilities to enable management and directors to adapt and grow the business in response to evolving market conditions. Additionally, the Company must prioritize product and service innovation, considering its reputation for slow adoption of new ideas [60]. Various strategies can be employed to drive innovation, including optimizing resource utilization, enhancing technical capabilities, aligning resources with strategic objectives, continuously improving innovation performance, securing top management support, fostering a culture of learning and innovation, and maintaining a clear business vision.

Finally, the Company's project and financial performance are at the survival level (PP: 3.816; FP: 3.785). The company demonstrates real-time financial data management and project tracking across multiple sites, facilitating better resource allocation and cost control. Additionally, data-driven financial services are at a moderate level of development, leading to improved decision-making and moderately enhanced revenue streams. Business processes related to budgeting, cost-sharing, and resource utilization are moderately integrated, enabling effective financial data collection, sharing, and usage. The company has implemented the interoperability principle in select areas, supported by digital technologies, to optimize cost efficiency and enhance project collaboration. To strengthen its financial and project ecosystem, the Company should explore new revenue streams and establish partnerships with other businesses and academic institutions. Additionally, the company should consider adopting various approaches such as process business improvement, process business re-engineering, and process business innovation [61]. By enhancing existing business processes, the Company aims to maintain its competitive edge in an ever-changing and unpredictable business landscape.

Conclusions

This study presents a comprehensive model examining the impact of organizational readiness on project performance and financial performance, with a particular focus on organizational capabilities. The findings suggest that companies with higher levels of dynamic capabilities and project management capabilities are more likely to achieve superior project performance, ultimately leading to enhanced financial performance. Therefore, it is essential for companies to strengthen their organizational readiness by improving IT infrastructure, providing human resource training, and establishing work procedures and organizational cultures that foster adaptability and innovation.

One of the study's limitations is the relatively small sample size. Although theoretically sufficient, expanding the sample size could improve the robustness and generalizability of the findings. Additionally, data collection

was conducted using a cross-sectional approach within a specific time frame, relying on non-probability sampling methods. The structure of the questionnaire posed a challenge in determining whether respondents should complete it based on their organizational conditions or as an evaluation of the Company. Future studies should consider distributing the questionnaire to a broader range of companies or increasing the sample size within a single company to strengthen the validity of the results.

This study also found no statistically significant correlation between an organization's dynamic capabilities and project management capabilities. This finding offers valuable insights for future research aimed at establishing a concrete link between these two constructs. To empirically investigate this relationship, researchers may employ system dynamics modeling or structural equation modeling (SEM). Further research should also extend the analysis beyond the Company by including additional firms in the study. A potential limitation of this study is that its findings are based on employees' perceptions of their company's financial performance and project performance, dynamic capabilities and project management capabilities, and organizational readiness.

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