“Insurance sector readiness for digital transformation: Empirical evidence from Jordan”

AUTHORS	Mohammad O. Al-Smadi

ARTICLE INFO	Mohammad O. Al-Smadi (2025). Insurance sector readiness for digital transformation: Empirical evidence from Jordan. *Insurance Markets and Companies*, *16*(1), 33-41. doi:10.21511/ins.16(1).2025.03
DOI	http://dx.doi.org/10.21511/ins.16(1).2025.03
RELEASED ON	Monday, 03 February 2025
RECEIVED ON	Monday, 23 December 2024
ACCEPTED ON	Friday, 24 January 2025

JOURNAL	"Insurance Markets and Companies"
ISSN PRINT	2616-3551
ISSN ONLINE	2522-9591
PUBLISHER	LLC “Consulting Publishing Company “Business Perspectives”
FOUNDER	LLC “Consulting Publishing Company “Business Perspectives”

NUMBER OF REFERENCES	NUMBER OF FIGURES	NUMBER OF TABLES
41	1	3

BUSINESS PERSPECTIVES

LLC "CPC "Business Perspectives"
Hryhorii Skovoroda lane, 10,
Sumy, 40022, Ukraine

www.businessperspectives.org

Mohammad O. Al-Smadi (Jordan)

INSURANCE SECTOR READINESS FOR DIGITAL TRANSFORMATION: EMPIRICAL EVIDENCE FROM JORDAN

Abstract

The significance of companies' readiness for digital transformation is becoming more widely recognized. This study, focusing on insurance companies in Jordan, aims to investigate the impact of organizational readiness on digital transformation. The study participants were staff members from various departments and administrative levels within the insurance companies, and the study population included all insurance companies in Jordan. This study uses convenience sampling to gather the required data by distributing an online questionnaire of 39 questions. A total of 245 valid responses were received and analyzed using partial least squares structural equation modeling. The results of the study prove that change valence positively influences digital transformation. The results also show that change efficacy, incorporating resource, IT, and cognitive readiness, positively affect digital transformation. Moreover, the results confirm that contextual factors incorporating cultural, strategic, and partnership readiness positively impact digital transformation. Further, employees' work experience moderates the relationships between organizational readiness constructs and digital transformation. These results indicate that the insurance companies in Jordan should implement a comprehensive approach that encompasses an organizational rehabilitation strategy.

Keywords organizational readiness, digital transformation, insurance sector, Jordan

JEL Classification G22, O33, M15

Received on: 23rd of December, 2024
Accepted on: 24th of January, 2025
Published on: 3rd of February, 2025

Mohammad O. Al-Smadi, Associate Professor, Faculty of Business, Philadelphia University, Jordan.

INTRODUCTION

The global economy has changed with the fast development of modern technologies and information systems. The digital economy replaces traditional economic and financial practices, leading to Digital Transformation (DT). Therefore, modern business organizations are under enormous pressure to implement modern digital technologies and change business practices to sustain their competitiveness and survival in the business world. DT encompasses a broad range of emerging technology adoption in almost every aspect of organizations' operations (Necib & Mourad, 2024). Implementing DT offers many advantages to firms, such as enhanced customer experience and profitability (Wang et al., 2021), increased market value (Fritzsch et al., 2021), and improved risk management (Peter, 2023). Conversely, firms that ignore or undervalue risks associated with DT might have serious consequences during implementation and delivery (Longworth, 2020).

Organizational readiness determines the success of business organizations' DT (Jun et al., 2022). Many business organizations have transformed digitally but have not achieved the expected benefits due to the lack of organizational readiness (Kelly et al., 2017; Lokugeet al., 2019). However, although organizational readiness is significant in the DT process, studies in this area are limited (Hussain & Papastathopoulos,

Conflict of interest statement:
Author(s) reported no conflict of interest

2022; Khin & Ho, 2019), especially in the insurance sector of developing countries (Mustafa Ali & Ebaidalla, 2023; Nepochatenko et al., 2023; Wanyan et al., 2024). In addition to the prior research gaps, this study is driven by the significance of the insurance industry to the Jordanian economy. The insurance penetration rate in Jordan at the end of 2022 was 2.5%, which is lower than the global rate of 7% and the rates in neighboring countries, such as Saudi Arabia and the United Arab Emirates, where the insurance penetration rate is between 3-4%, which suggests potential growth in this sector (OECD, 2023). To the best of the author's knowledge, this is the first study in Jordan investigating the readiness of insurance companies for DT.

1. LITERATURE REVIEW AND HYPOTHESES DEVELOPMENT

The theory of organizational readiness developed by Weiner (2009) provides an essential theoretical basis for change management (Lokuge et al., 2019). Accordingly, the term readiness is defined as a state obtained before the beginning of a specific activity concerning the organization's psychological, behavioral, and structural readiness (Helfrich et al., 2011). Weiner (2020) identified three constructs of organizational readiness theory: change valence, change effectiveness, and contextual conditions.

Change valence refers to innovation valence, assessed through employees' attitudes, motivations, and empowerment to embrace or implement innovations (Lokuge et al., 2019). Smith and Doe (2023) indicate that employee engagement and motivation to support the change will likely increase if they understand that DT initiatives provide substantial organizational and personal benefits, such as improved productivity, enhanced work satisfaction, and a more competitive position. This positive perspective increases commitment and expectation, reduces opposition to digital adoption, and encourages a proactive approach to learning and innovation (Winasis et al., 2020). Therefore, companies are more likely to experience seamless implementation, accelerated technology adoption, and improved overall performance in their digital projects if they communicate and demonstrate the tangible benefits of DT.

Change efficacy encompasses comprehending financial, technical, human, and informational resources, specifically resource readiness, IT readiness, and cognitive readiness (Lokuge et al., 2019). Previous studies point out the impact of change efficacy on DT. Chwiłkowska-Kubala et al. (2023) indicate that an organization's capacity to support and maintain digital projects is improved by resource readiness, which makes sure that technological efforts do not stop because of a lack of funding or human resources. Furthermore, Trischler and Li-Ying (2022) mention that IT readiness provides the infrastructure and technical competence necessary for the seamless adoption and integration of digital solutions, influencing the pace and success of DT. Ling et al. (2023) state that cognitive readiness denotes the workforce's mental agility and receptiveness to new technologies, hence diminishing resistance and improving the efficiency of the change process by cultivating an innovative and flexible organizational culture. Thus, integrating these readiness components increases organizational confidence in DT execution. It promotes coordinated, long-term efforts that align with strategic goals, which raises the possibility of successful digital integration and competitive advantage in a progressively digital market environment.

Contextual readiness encompasses cultural, strategic, and partnership readiness (Jones et al., 2005). Uzkurt et al. (2013) argue that cultural readiness aligns an organization's values, beliefs, and behaviors with the DT objectives, fostering an environment conducive to innovation and change. This alignment minimizes resistance and promotes a collective mindset of adopting new digital tools and processes. Moreover, Alshammari et al. (2024) indicate that strategic readiness entails formulating clear, actionable plans that link digital initiatives with organizational objectives. This readiness ensures that digital strategies are expressed and integrated into the overall strategy framework, supporting cohesive and focused transformational activities. On the other hand, Abrell et al. (2016) state that partnership readiness is the ability and desire to work with outside partners and stakeholders to use complementary resources and skills, which

http://dx.doi.org/10.21511/ins.16(1).2025.03

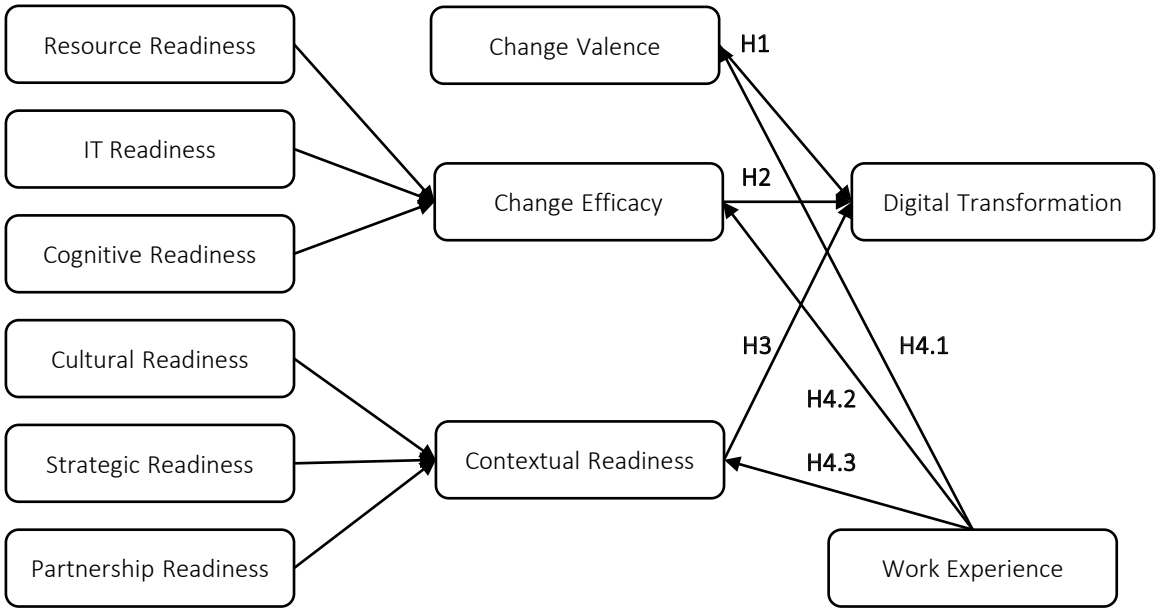

Figure 1. Model of the study

make obtaining cutting-edge knowledge, technology, and skills easier, improving an organization's capacity to adopt and sustain DT. Thus, contextual readiness components provide a framework that helps businesses successfully handle the challenges of DT, resulting in positive outcomes and increased competitive advantage in the digital era.

Previous studies demonstrate that the relationship between organizational readiness and DT within a company can be influenced by employee experience. Abdul Hamid (2022) argues that employee competencies gained from their long experience help them adapt to new processes and technologies, contributing to the success of DT strategies. Moreover, Chaudhuri et al. (2023) state that experienced employees are more prepared to face technology and are also more eager to develop their digital skills, which helps an organization decrease resistance to change and thereby help apply DT initiatives.

Reviewing previous studies shows that the association between organizational readiness and DT in insurance companies is a novel topic that needs more investigation as a continuation of earlier studies.

Hence, this study aims to investigate the impact of organizational readiness on DT in Jordan's insurance sector and examine the moderating effect of work experience on the relationship between organizational readiness and DT. Accordingly, the following hypotheses were proposed:

H1: Change valence positively impacts the digital transformation of insurance companies in Jordan.

H2: Change efficacy positively impacts the digital transformation of insurance companies in Jordan.

H3: Contextual readiness positively impacts the digital transformation of insurance companies in Jordan.

H4.1: Work experience moderates the relationships between change valence and the digital transformation of insurance companies in Jordan.

H4.2: Work experience moderates the relationships between change efficacy and the digital transformation of insurance companies in Jordan.

H4.3: Work experience moderates the relationships between contextual readiness and the digital transformation of insurance companies in Jordan.

The study model is represented in Figure 1.

2. RESEARCH METHODOLOGY

The study constructs were formed based on the organizational readiness theory and operationalized using a set of selected items used in earlier studies. An online questionnaire that includes three sections with 39 questions was developed to collect study data. The questionnaire content was modified to suit the insurance context in Jordan according to the opinions of three academics specialized in this discipline. The first part of the questionnaire addressed the responders' general information, comprising five questions. The second part addressed formative components of the organizational readiness theory, classified into three categories: change valence, change efficacy, and contextual factors, comprising 30 questions proposed by Lokuge et al. (2019). Part three consists of four questions to measure DT based on Agostino and Costantini (2022), Zou et al. (2024), and Sebastian et al. (2020). The questions in sections two and three used a five-point Likert scale, with 1 meaning strongly disagree and 5 strongly agree.

A partial least squares structural equation modeling (PLS-SEM) method was used for the statistical analysis. However, PLS-SEM is appropriate for assessing complicated relationships and formatively measured constructs (Hair et al., 2017). Moreover, PLS-SEM exhibits greater robustness without the necessity for distributional assumptions, including multivariate normality (Hair et al., 2019).

The study population consists of all insurance firms in Jordan, which are 20 firms in 2024. Employees from various departments and administrative levels within the insurance companies participated in the study. A convenience sample technique was employed because it was difficult to reach and include every employee in the research population. With this technique, required data were obtained, confirming that it reflected the population as a whole. After the companies' management approved the questionnaire distribution, respondents were contacted and informed via email, and a questionnaire was managed via SurveyMonkey. The questionnaire received 235 valid responses, which is sufficient according to the suggestions of Hair et al. (2014). Table 1 displays the demographics of the respondents.

Table 1. Demographics of the respondents

Variable	Category	Frequencies	Percentages
Gender	Male	136	57.9%
	Female	99	42.1%
Age	Less than 30 years	55	23.4%
	From 30 to 40 years	57	24.3%
	From 41 to 50 years	75	31.9%
	Over 50 years	48	20.4%
Academic Qualification	Diploma	19	8.1%
	Bachelor's	142	60.4%
	Master's	54	23.0%
	Ph.D.	20	8.5%
Work Experience	Less than 5 years	41	17.4%
	From 5 to 9 years	96	40.9%
	From 10 to 14 years	72	30.6%
	From 15 years and over	26	11.1%
Current Position	Manager	69	29.4%
	Head of Department	75	31.9%
	Employee	91	38.7%

As shown in Table 1, 57.9% of participants were males, while 42.1% were females. The predominant age group was from 41 to 50 years, comprising 31.9%, while 23.4% were aged less than 30 years. Concerning academic qualifications, 8.1% had a diploma degree, 60.4% had a bachelor's degree, 23% had a master's degree, and 8.5% had a Ph.D. degree. Furthermore, 40.9% of participants had 5 to 9 years of experience, while 11.1% had more than 15 years of experience. Regarding the current position, 29.4% were managers, 31.9% were department heads, and 38.7% were managers.

3. RESULTS

The following steps were adopted to assess the formative measurement models based on the recommendations of Hair et al. (2019). First, redundancy analysis and a global single item were used to evaluate the convergent validity of the formative higher and lower order latent variables. The results in Table 2 show that the coefficients' values are over 0.7, confirming the fulfillment of convergent validity (Hair et al., 2017). Then, the Variance Inflation Factor (VIF) was used to examine the potential collinearity issues between formative predictors. The VIF values for the measurement models are below 5, indicating that multicol-

http://dx.doi.org/10.21511/ins.16(1).2025.03

Table 2. Assessment of measurement models

A: First-order formative model									
Item	**Convergent Validity**	**VIF**	**Outer Wights**	**t-Value**	**p-Value**	**Outer Loading**	**t-Value**	**p-Value**	**Retained**
CV1	β (CV–F and CV–G) = 0.750	2.822	0.281	1.656	0.178	0.697	6.144	0.143	Yes
CV2		2.771	0.333	1.099	0.712	0.484	3.781	0.474	Yes
CV3		2.468	1.036	11.949	0.427	1.085	31.077	0.289	Yes
RR1	β (RR–F and RR–G) = 0.757	2.386	0.463	5.857	0.381	0.792	13.666	0.343	Yes
RR2		2.273	0.128	1.199	0.162	0.412	4.329	0.124	Yes
RR3		2.068	0.812	16.03	0.369	1.003	27.119	0.331	Yes
TR1	β (TR–F and TR–G) = 0.742	2.744	0.274	2.076	0.102	0.873	13.842	0.064	Yes
TR2		2.525	0.327	3.039	0.194	0.827	12.254	0.156	Yes
TR3		2.419	0.712	8.924	0.429	1.034	33.370	0.491	Yes
GR1	β (GR–F and GR–G) = 0.789	2.055	0.364	2.167	0.411	0.159	1.039	0.373	Yes
GR2		2.133	0.560	2.981	0.271	0.774	5.405	0.235	Yes
GR3		2.078	0.792	5.158	0.312	0.966	9.144	0.474	Yes
CR1	β (CR–F and CR–G) = 0.752	2.679	0.311	1.475	0.974	0.899	29.509	0.236	Yes
CR2		2.508	0.405	8.408	0.374	0.916	27.170	0.336	Yes
CR3		2.878	0.581	10.562	0.440	0.927	58.642	0.402	Yes
SR1	β (SR–F and SR–G) = 0.843	2.526	0.285	4.731	0.243	0.845	20.745	0.205	Yes
SR2		2.400	0.621	13.377	0.422	0.997	47.965	0.354	Yes
SR3		2.547	0.425	1.402	0.806	0.914	29.880	0.468	Yes
PR1	β (PR–F and PR–G) = 0.783	2.536	0.433	7.35	0.390	0.931	30.051	0.352	Yes
PR2		2.659	0.548	10.896	0.316	0.997	44.148	0.478	Yes
PR3		2.681	0.329	5.383	0.284	0.911	27.158	0.246	Yes

B: Second-order formative model							
Higher Order Component	**Lower Order Component**	**Convergent Validity**	**VIF**	**Outer Wights**	**t-Value**	**p-Value**	**Retained**
Change Efficacy	RR	β (CE–F and CE–G) = 0.831	1.583	0.938	24.375	0.443	Yes
	TR		1.544	0.821	21.786	0.429	Yes
	GR		1.350	0.620	9.335	0.295	Yes
Contextual Factors	CR	β (CF–F and CF–G) = 0.874	3.305	0.675	19.728	0.389	Yes
	SR		3.263	0.729	24.633	0.448	Yes
	PR		2.926	0.743	25.093	0.459	Yes

Note: β = path coefficient, *F* = formative, *G* = Global.

linearity is not a concern in this study (Hair et al., 2019). Finally, the significance of outer weight and loading is tested. All outer weights are significant except CV2, CR1, and SR3. Based on Hair et al.'s (2017) recommendation, CV2, CR1, and SR3 were kept because their loadings are significant.

Before testing the study's hypotheses, the collinearity of exogenous latent variables was tested. The inner VIF values lower than 5.0 ranged from 1.360 (change efficacy) to 3.251 (contextual factors), indicating a collinearity problem's absence (Hair et al., 2019). Coefficient determination (R^2) was used to examine the model's predictive power. The (R^2) value of 0.751 suggests a substantial predictive power. As displayed in Table 3, the results show a positive impact of change valence (β = 0.711 | *t* = 13.160), change efficacy (β = 0.648 | t = 7.753), and contextual factors (β = 0.600 | t = 8.502) on the DT of insurance companies in Jordan, thus accepting the study hypotheses *H1*, *H2*, and *H3*.

As for the moderating impact of work experience, four sub-groups, as shown in Table 1, were created. The results show that the third and fourth groups influence the relationships between organizational readiness variables and DT in Jordanian insurance companies. This finding proves a significant positive moderating effect of work experience on the associations among change valence (β = 0.291 | *t* = 6.112), change efficacy (β = 0.240 | *t* = 7.353), and contextual factors (β = 0.102 | *t* = 1.750) and DT of insurance companies in Jordan, thus accepting the study hypotheses *H4.1*, *H4.2*, and *H4.3*.

Table 3. Outcomes of hypotheses testing

Hypothesis	β	t-Value	p-Value	Decision
H1: Change Valence → DT	0.711	13.160	0.000	Accepted
H2: Change Efficacy → DT	0.648	7.753	0.000	Accepted
H3: Contextual Factors → DT	0.600	8.502	0.000	Accepted
H4.1: Working Experience*Change Valence → DT	0.291	6.112	0.000	Accepted
H4.2: Working Experience*Change Efficacy → DT	0.240	7.353	0.000	Accepted
H4.3: Working Experience*Contextual Factors → DT	0.102	1.750	0.040	Accepted

4. DISCUSSION

The success of corporate DT depends on their organizational readiness, which requires these firms to evaluate the adequacy of their business models, business processes, and human and physical resources (Balakrishnan & Das, 2020; Saarikko et al., 2020). A positive effect of exchange valence on DT was found in Jordanian insurance companies. Kim et al. (2021) and E. Aboiron and J. Aboiron (2022) found that when employees felt needed and fully understood the benefits of DT, their participation and contribution increased. This understanding creates a conducive environment that reduces resistance to adaptation to new processes and technologies. For Jordanian insurance companies, where DT is essential to maintain competitiveness, it improves customer services, streamlines processes, and data management. Thus, Jordanian insurance companies can leverage the transformation value to support successful DT initiatives.

In addition, this study found a positive association between change efficacy and DT in Jordanian insurance companies. This result is supported by the works of Lokuge et al. (2019) and Asamoah et al. (2024). The results imply that effective changes, including infrastructure, IT readiness, and psychological readiness, enhance the DT of Jordanian insurance companies. Ownership of human and physical resources by firms provides incentives to stimulate DT programs in these firms. In addition, the technological infrastructure of a firm makes it possible to integrate emerging tools and technologies into its business, which better equips it to manage data, raise productivity, and drive innovation in customer services. The effectiveness of the reform, therefore, helps insurance companies in Jordan to meet DT challenges and ensures that the objectives set for the reform process are achieved.

Likewise, this study found a positive effect of contextual factors on DT in Jordanian insurance companies. This finding is consistent with those of Tian et al. (2024) and Mikalef and Krogstie (2020). In the context of DT in Jordanian insurance companies, contextual factors, including cultural readiness, strategic readiness, and partnership readiness, enhance the DT of Jordanian insurance companies. Cultural readiness ensures that firm values match DT values. It also helps create an open environment for change and innovation, which reduces resistance to change and fosters a culture of continuous improvement. Furthermore, readiness for implementation ensures the vision and mission of the organization and strategy, which will be used for DT corresponds. Additionally, a readiness to work with all stakeholders, including technology solution providers, helps acquire emerging technologies and learn about other successful DT experiences. Thus, these factors work together to enable insurance companies in Jordan to manage their DT programs more efficiently.

Importantly, this study found a moderating effect of the employees' work experience on the relations among organizational readiness constructs and DT in Jordanian insurance firms. This finding indicates that as firm employees acquire experience, their ability to use technology will improve, strengthening the impact of change valence, change efficacy, and contextual factors on DT. The result implies that improving employee training programs is crucial to supporting the DT process.

These are limitations entailed in the results of the current study. First, the scope of the study concentrates on the insurance sector in Jordan; thus, the generalizability for other sectors may be limited. Future studies can be extended further by including more sectors and broader geographical areas to validate and refine such conclusions. While the study shed light on the

http://dx.doi.org/10.21511/ins.16(1).2025.03

most relevant factors positively affecting DT, it was founded on qualitative judgments. Future research should include more quantitative measures and longitudinal data to give a more detailed view of how such factors change over time and their long-term effects on organizational performance. Finally, the interaction of these factors and the emergence of new technologies like artificial intelligence and blockchain might provide further insights and practical frameworks for organizations willing to advance in digital development.

CONCLUSIONS AND RECOMMENDATIONS

This study investigates the impact of organizational readiness on the DT of insurance firms in Jordan. The organizational readiness theory was applied to understand the relationship between the organizational readiness construct and DT. A positive impact on DT was confirmed for change valence, change efficacy, and contextual factors. The study also highlights the moderating influence of employees' work experience on the relations between organizational readiness constructs and DT. Consequently, there is a need to foster belief in DT initiatives among insurance companies' employees as this boosts organizational trust and readiness. Such belief allows for fitting into the cultural and strategic contexts, which can help insurance companies overcome the challenges that DT puts forward and support the digital transformation process. Moreover, offering an open organizational environment to changes by insurance companies promotes investments in new technologies and human resources. Finally, insurance companies must embrace a holistic approach that includes the dimensions of organizational readiness to increase the expected benefits of DT and enhance competitiveness in the Jordanian insurance market.

AUTHOR CONTRIBUTIONS

Conceptualization: Mohammad O. Al-Smadi.
Data curation: Mohammad O. Al-Smadi.
Formal analysis: Mohammad O. Al-Smadi.
Investigation: Mohammad O. Al-Smadi.
Methodology: Mohammad O. Al-Smadi.
Validation: Mohammad O. Al-Smadi.
Writing – original draft: Mohammad O. Al-Smadi.
Writing – review & editing: Mohammad O. Al-Smadi.

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