









Adapting to Digitalization: Employee Readiness and Challenges in a Philippine Insurance Company

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Abstract

The rapid digital transformation of the insurance industry introduces new operational and compliance risks that require a digitally prepared workforce. However, limited evidence links employee digital readiness to governance, risk, and compliance challenges during insurance digitalization. This study examined how employees' digital readiness relates to perceived challenges that may affect operational resilience and compliance in a Philippine insurance company. A survey of 79 operations employees used validated Likert-scale measures of digital readiness (knowledge, skills, and attitudes) and perceived barriers (technological, organizational, and individual), with reliability assessed using Cronbach's alpha. Data were analyzed using frequency and percentage, weighted mean, and Pearson correlation coefficient. Results indicate that employees demonstrated a moderate level of digital readiness while technological barriers emerged as the most significant challenges during the digitalization process. Correlation analysis revealed significant positive relationships between readiness dimensions and perceived challenges on digitalization adaptation. Based on these findings, the researchers proposed strategies to strengthen employee readiness and reduce adaptation challenges to support the company's digitalization initiatives. Findings of this study highlight the importance of strengthening workforce digital capabilities as part of risk-informed governance strategies for a regulated sector like the insurance industry. Theoretically, this study advances the Technology Acceptance Model by demonstrating that digital readiness is an organizational capability that shapes perceived barriers relevant to operational resilience and compliance in digital transformation initiatives. Practically, this study provides insights on how similar institutions enhance digital maturity, align employee readiness with organizational needs, and ensure smoother digital transformation.

Keywords: *Digitalization Readiness, Digital Transformation, Digitalization Adaptation, Philippine Insurance Company, Technology Acceptance Model*

INTRODUCTION

The rapid growth of digital technologies is transforming the global insurance industry, enabling firms to streamline operations, enhance risk assessment, and improve customer service through tools such as artificial intelligence, big data analytics, cloud computing, mobile applications, and the Internet of Things (Eckert & Osterrieder, 2020). While these innovations create opportunities for efficiency and competitiveness, they also alter the organization's risk profile. Digitalization introduces new operational, cybersecurity, and data governance risks, while simultaneously creating compliance obligations related to data privacy, security controls, and regulatory reporting. In regulated industries such as insurance, these developments require robust governance structures—including clear policies, accountability mechanisms, and risk-based controls—to ensure that digital transformation initiatives support operational resilience and regulatory compliance.

A growing body of literature highlights that the success of digital transformation depends not only on technological investments but also on workforce capability and organizational

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readiness. Prior studies generally fall into three thematic streams. First, research on digital capability and readiness emphasizes that employees' knowledge, technical skills, attitudes, and digital self-efficacy strongly influence their ability to adapt to new technologies (Maran et al., 2022; Thuy, 2023). Second, studies on organizational enablers demonstrate that leadership support, access to training, and supportive digital cultures are critical factors that determine whether digital initiatives translate into improved performance and service quality (Hanelt et al., 2021; Höyng & Lau, 2023). Third, research on barriers to digital adoption identifies technological limitations, organizational constraints, and individual resistance as key obstacles that hinder successful transformation (Zhu et al., 2021). Collectively, these studies show that digital transformation succeeds when employees possess adequate digital competencies and when organizations provide supportive governance and management structures. Likewise, these emerging governance, risk, and compliance literature highlights that digital transformation in regulated sectors requires organizations to strengthen operational resilience, risk-based controls, and compliance readiness. Digital initiatives affect how organizations manage sensitive information, maintain process integrity, and ensure regulatory accountability. Consequently, workforce readiness becomes a governance concern rather than merely a human resource issue, as employees must be capable of operating within new digital control environments and complying with evolving regulatory expectations.

In the Philippine context, digital transformation presents both opportunities and structural challenges. National and international reports indicate increasing adoption of digital technologies but also persistent gaps in workforce digital capabilities and supporting infrastructure. For instance, the World Bank (2020) documented significant growth in digital usage during the COVID-19 pandemic while noting continuing shortages in digital skills across the labor market. Quimba et al. (2024) further observed that limited innovation capacity and infrastructure constraints hinder the digital competitiveness of Philippine industries. Additional studies have reported challenges related to resource allocation, training availability, and digital competence in organizations and institutions (Albert et al., 2023; Binaluyo, 2024; Lapesigue, 2024). These findings suggest that although Filipino workers increasingly engage with digital tools, organizations often lack structured programs and governance mechanisms to support workforce readiness.

Despite extensive international research on employee readiness for digital transformation, empirical evidence remains limited within the Philippine insurance sector. Existing studies in the country largely focus on general digitalization trends or enterprise-level technology adoption rather than on employees' preparedness and the barriers they encounter when adapting to digital systems. This creates two important knowledge gaps: 1. limited localized evidence identifying which dimensions of digital readiness among insurance employees are strongest or weakest; and 2. insufficient understanding of how readiness relates to perceived technological, organizational, and individual barriers that may affect operational efficiency, risk management, and compliance practices.

This study, therefore, addresses an applied research problem in managing workforce readiness as part of digital transformation governance in a regulated insurance setting. Operations employees of the insurance companies play a particularly critical role in this context because they handle sensitive customer information, manage transactional processes, and ensure service delivery accuracy, making their digital readiness directly relevant to operational risk management and regulatory compliance. Considering the Philippine insurance industry has a history of over a century and includes more than 130 companies, this sector faces growing pressure to adopt digital practices due to customer demand for faster and more accessible services and regulatory pushes for digital use. However, a major issue the industry encounters is its dependence on outdated systems. This, combined with low digital literacy among employees and resistance to change,

creates significant barriers to modernization. The country also has a significant digital skills gap affecting the workforce (World Bank, 2022). If insurers do not prioritize employee readiness for this digital shift, they risk falling behind more agile regional competitors. A study focusing on employee readiness is therefore timely and relevant, as the rising demand for digital channels highlights the urgency in addressing skill gaps and improving change management.

Accordingly, the purpose of this study is to assess the digital readiness of employees in a Philippine insurance company and examine how readiness relates to perceived barriers encountered during digital transformation. By identifying the relationships between workforce capabilities and organizational challenges, the study aimed to generate insights that can support governance-oriented strategies for managing digital transformation in insurance operations. Specifically, this study examined employee's adaptation to digitalization by evaluating their readiness across three dimensions – knowledge, skills, and attitudes - that reflect individual preparedness to engage with digital technologies. It also explored key challenges to adapting to digitalization, focusing on technological, organizational, and individual factors, and analyzed how these challenges relate with employees' readiness during the digitalization process. By identifying relationships between readiness levels and adaptation challenges, the study provides insights into how workforce capability influences the success of digital transformation initiatives. Finally, based on the findings of the study the researchers proposed strategies to enhance readiness and minimize obstacles in the company's transition toward digital operations. In view of the of the above research objectives, the following research questions aligned to the Technology Acceptance Model (TAM) framework were formulated:

RQ1: What is the level of employee readiness to digitalization adaptation in terms of knowledge, skills, and attitudes?

RQ2: How do technological, organizational, and individual factors act as challenges to the digitalization adaptation?

RQ3: How are readiness dimensions associated with perceived barriers during the digitalization process?

RQ4: What governance/ risk controls can addressed the identified gaps?

This study anchored on TAM provides a framework explaining the relationship between employee readiness and challenges encountered in adapting digitalization. Theoretically, this research contributes to the understanding of digital transformation by integrating readiness and barrier frameworks, offering a comprehensive model that links individual preparedness with organizational adaptation in the context of digital change. Practically, this study contributes to risk-based training prioritization by identifying readiness gaps across knowledge, skills, attitudes, and self-efficacy, allowing insurers to target training where digital adoption risks are highest. It strengthens digital governance and compliance readiness by linking employee capabilities to policy effectiveness and regulatory interventions, ensuring proactive risk management. Finally, it supports operational planning in insurance digitalization by aligning rollout strategies with workforce readiness, minimizing disruption and enhancing efficiency.

LITERATURE REVIEW

In accordance with the study's aims, the researchers reviewed literature from different sources to gain a clearer understanding of the topic. This section explains the theories that support the study and discusses the issues surrounding employee readiness and the challenges faced in adapting to digitalization within the context of a Philippine insurance company.

Technology Acceptance Model (TAM) Framework

Successful digital transformation relies not only on deploying the right technology but also heavily on users, especially employees, who play a vital role in its adoption and success. This study is guided by the TAM framework developed by Davis, which explains that people are more likely to accept new technology if they find it helpful for their job (perceived usefulness) and easy to use (perceived ease of use) (Luo et al. 2024). Over time, TAM has expanded to recognize that digital adoption depends not just on usefulness and ease of use but also on external factors. As demonstrated by Höyng and Lau (2023), employees' digital adoption is influenced by factors such as their readiness, organizational support, and the availability of suitable tools and resources. Therefore, TAM provides the theoretical framework for this study to examine the connections among digital transformation, employee readiness, and the challenges of adopting new technology. Research suggests that adopting new technology is not just about how individuals feel about it but is also influenced by factors at the organizational level. Studies in financial institutions found that employee readiness—characterized by optimism, willingness to learn, and self-efficacy—significantly impacts acceptance of digital changes (Lee et al., 2025; Mahmood et al., 2023). Employees who feel confident and possess the necessary digital skills are more likely to view new technologies as useful and easy to use. This directly supports the core concepts of the TAM. Additionally, top management support is considered a key external factor demonstrating that managers who support and allocate resources to employees strengthen the link between readiness and adoption. This suggests that employees are more likely to embrace new digital tools when management is committed. Organizations providing adequate training and clear information help reduce resistance and build greater confidence in digitalization (Song et al., 2025; Molino et al., 2020). This reinforces the core concepts of TAM, illustrating how external support can influence perceptions of usefulness and ease of use.

To sum up, this study uses TAM as its main framework to understand how employees accept digital transformation. It looks not only at the original TAM ideas, like how useful and easy the technology seems, but also at other important factors like employee readiness, technological, organizational, and individual factors. This shows that digital transformation is not just about the technology itself, but also about the people and systems around it. TAM provides a framework explaining the relationship between employee readiness and challenges encountered in adapting to digitalization, serving as the foundation for the study's hypothesis.

Employee Readiness for Digitalization

Employee readiness is a crucial factor that significantly impacts digital transformation because it indicates the level of knowledge, skills, and attitudes employees possess when facing technological changes. These three elements determine whether employees can adapt smoothly to digital transformation. The level of employees' awareness and knowledge of digital tools and processes is a key factor in adoption. Employees with a greater understanding of new digital tools exhibited increased productivity (Tee et al., 2024; Hutabarat et al., 2021; Yaneva, 2024). These studies confirm that readiness starts with knowledge and awareness of new systems, which are essential for successful digital adoption.

On the other hand, digital transformation also depends on the development of employees' digital skills and competencies. Instead of focusing solely on technology, it is crucial to prepare the workforce through digital training and ongoing upskilling programs that reduce resistance and boost confidence (Trenerry et al., 2021; Cabaobao Jr. et al., 2025; Faller et al., 2025). A high level of digital competency can help employees solve problems and integrate systems into their work, making the digital adoption process more efficient.

The last dimension of employee readiness is attitude, which reflects employees' confidence and openness to change. Self-efficacy, or one's belief in their ability to use technology, significantly influences attitude toward adopting digital transformation. Employees with positive attitudes are more open to change and eager to learn new tools, whereas those lacking confidence tend to resist change. However, strong organizational support can transform fear and hesitation into openness and willingness, facilitating smoother adaptation to digitalization (Capistrano et al., 2024; Chaudhuri et al., 2023).

Taken together, the review concludes that employee readiness is a multidimensional factor composed of knowledge, skills, and attitude. Insurance companies in the Philippines operate in a highly regulated environment and still rely on outdated systems, which makes adaptability more crucial. And as industry continues to adopt digital technologies, it is more important to understand employee preparedness. This means identifying who needs more training, what skills are lacking, and how to better support staff throughout the transition. When companies invest in building employee confidence and digital skills, the change becomes easier—not just for the business, but also for the people behind it. This approach ensures that no one is left behind in the digital shift, and helps make the transformation smoother, more effective, and better aligned with long-term success.

Challenges in Adapting to Digitalization

Even when employees are ready, digital transformation faces multiple challenges, grouped into organizational, technological, and individual factors that influence its speed and success. Recent studies indicate that the lack of reliable technological infrastructure remains a significant concern for most organizations. Many Philippine companies struggle with digital transformation due to outdated hardware, unstable software, and unreliable internet connectivity, which delays digital integration. Even in local government units, limited ICT resources, combined with staff skill gaps, slow the adoption and implementation of digital transformation (Verhoef et al., 2021; Espiritu et al., 2023). These technical issues not only hinder operational efficiency but also naturally cause employee frustration, which, over time, can grow into resistance as they are forced to work with tools that make daily tasks more difficult rather than easier.

However, technological readiness alone does not ensure smooth digital adoption. Even when technology is available, if employees are not adequately trained and well informed, and leaders fail to guide their employees, digital transformation efforts are most likely to fail. Successful digital transformation is more than the implementation of new technology; it requires organizational guidance, support, and commitment to motivate employees and help them feel confident in embracing change (Al-Moaid & Almarhdi, 2024; Akpan et al., 2022).

Lastly, individual-level barriers play a crucial role in adapting to the digital transformation. Employees with strong digital literacy are more confident and willing to use new digital tools, while those with limited skills often feel uncertain and resistant, hindering overall implementation. Digital transformation is not merely a technical shift but also a human one; without sufficient training and support, employees may experience anxiety and mental fatigue, which can weaken their confidence in adopting new technologies (Nikou et al., 2022; Malaquias & de Souza Júnior, 2023).

Overall, digital transformation goes beyond adopting new technologies—it requires addressing technological, organizational, and individual challenges. In Philippine insurance firms, outdated systems, poor connectivity, limited training, and weak leadership support hinder adaptation. Employees' lack of digital skills and confidence often leads to hesitation and resistance. To succeed, companies must modernize systems, strengthen leadership, and provide continuous training and support to help employees embrace digital change.

Relationship between Employee Readiness and the Challenges Faced during the Digitalization Process

The rapid evolution of digital technologies has significantly transformed organizational structures and employee responsibilities, requiring greater workplace adaptability. In this context, employee readiness is the preparedness of individuals to accept, learn, and effectively use new technologies and work practices. This readiness encompasses technical skills, self-efficacy, and attitudes toward continuous learning (Okkonen et al., 2019). In contrast, the challenges of digitalization often involve increased process complexity, skill gaps, employee resistance, and organizational misalignment, which can hinder the implementation of technological change (Ngereja & Hussein, 2022).

Multiple studies indicate that employees with higher readiness encounter fewer obstacles during digital transformation. Adaptive performance, which is closely related to readiness, enables employees to respond effectively to new job demands, thereby reducing difficulties linked to change. Employees' perceptions of the advantages and challenges of digital work depend on their ability and willingness to adapt (Park & Park, 2019; Okkonen et al., 2019).

However, other studies argue that employee readiness may not significantly influence digitalization challenges. Employees and managers view digital readiness differently, suggesting that even a well-prepared employee can struggle if organizational goals are misaligned and organizational-level factors, such as legacy systems, inadequate change management, and regulatory constraints, can create persistent challenges (Gfrerer et al., 2020; Danuso et al., 2022). This indicates that while readiness may help reduce challenges, its impact can be limited by broader organizational and technological factors.

The literature also points to the multilevel nature of digital transformation challenges. Individual-level readiness interacts with organizational-level support mechanisms, such as leadership communication, training quality, and resource availability (Danuso et al., 2022). Consequently, readiness alone may not significantly reduce the challenges of digitalization unless moderated by these organizational supports. In the insurance industry, regulatory environments and the prevalence of legacy systems pose additional hurdles that can overshadow the benefits of employee readiness (Al-Smadi, 2025).

The reviewed literature shows mixed findings: some studies found that better-prepared employees face fewer difficulties in adapting to new technologies, while others, particularly in the insurance industry, suggest that employee readiness has no significant relationship with the challenges faced, since factors like organizational support and systems may have a strong effect. Because of these conflicting results, it is unclear whether employee readiness significantly affects the challenges faced during digitalization. Therefore, this study proposes the following hypothesis: Ho1: There is no significant relationship between the employees' readiness to digitalization adaptation in terms of their knowledge and the challenges encountered across technological, organizational, and individual factors during the digitalization process.

Ho2: There is no significant relationship between the employees' readiness to digitalization adaptation in terms of their skills and the challenges encountered across technological, organizational, and individual factors during the digitalization process.

Ho3: There is no significant relationship between the employees' readiness to digitalization adaptation in terms of their attitudes and the challenges encountered across technological, organizational, and individual factors during the digitalization process.

METHODOLOGY

This study employed a descriptive-correlational, quantitative, cross-sectional survey to assess the digital readiness of employees in a Philippine insurance company and examine how

readiness relates to perceived barriers encountered during digital transformation. This design was deemed appropriate because it systematically described existing conditions without manipulating variables, thereby allowing an objective assessment of employee perceptions and experiences, then connecting the association of the employed research variables (Takona, 2024). The study was conducted at the Account Services Unit under the Operations Department of a Philippine insurance firm, which was purposively selected as the research locale because its employees are directly involved in digitalized processing, monitoring, and service delivery operations. The study included a census of 83 employees of the unit, of whom 79 equivalent to 95% of the study population provided valid responses. With N=79, the study has sufficient power to detect moderate correlations at conventional significance levels. This means the sample size is robust enough to identify meaningful relationships without being underpowered. Including the entire unit minimized sampling bias and ensured that the findings accurately reflected the readiness and challenges of operational employees engaged in the company’s digitalization processes. Moreover, with the sample size, the findings of the study can be appropriately generalized to operations units in comparable insurance contexts, particularly those with similar organizational structures and workflows.

The instrument items were adapted from prior studies related to digitalization readiness (Mühlburger et al., 2022; Nguyen, 2024; Kruszyńska-Fischbach et al., 2021; Safi et al., 2024; Wahyudin et al., 2024) and digitalization adaptation challenges (Binaluyo, 2024; Villaseñor, 2024) and contextualized for the Philippine insurance industry. In the formulation of questionnaire items for each of the constructs of employee readiness for digitalization (knowledge, skills, and attitudes) and challenges in adapting to digitalization (technological, organizational, and individual), the researchers did the phrasing of similar items from these studies to come up with context-specific terms to suit the objectives of the study. These constructs are highly relevant to risk-informed governance in regulated industries like insurance companies because they directly shape how organizations manage compliance, control systems, and operational resilience.

The questionnaire utilized a four-point Likert scale for both constructs (digitalization readiness and challenges to digitalization adaptation) to elicit clear polarized responses and avoid neutral ambiguity, where 1=Not Ready/ Not a Challenge, 2= Developing Readiness/ Minor Challenge, 3= Moderately Ready/ Moderate Challenge, and 4= Fully Ready/ High Challenge. While Likert-type data are strictly ordinal, this study treated the composite scores as quasi-interval data solely for descriptive purposes. This allowed for the calculation of weighted means to summarize broader implementation trends using standard numerical cut-offs (1=1.00–1.49, 2=1.50–2.49, 3=2.50–3.49, and 4=3.50–4.00). To ensure content validity, the instrument underwent expert review by two by subject-matter experts in digital transformation and organizational behavior to confirm clarity, relevance, and alignment with the study’s objectives. Following the Oducado (2020) framework, an Item-Level Content Validity Index (I-CVI) was computed. Items with an I-CVI of 0.78 or higher were retained; while those below were revised or eliminated based on qualitative feedback regarding clarity. A pilot test involving 30 employees outside the study sample was conducted to evaluate clarity and consistency. The results indicated high internal consistency, with Cronbach’s alpha values of 0.907 for employee readiness and 0.859 for digitalization challenges, confirming the instrument’s excellent reliability (Zakariya, 2022).

Table 1. Reliability Statistics

Indicator	Cronbach’s Alpha	No. of Items
Employee Readiness for Digitalization		

Knowledge	0.904	5
Skills	0.866	5
Attitude	0.950	5
Average	0.907	
Challenges in Adapting to Digitalization		
Technological Challenges	0.873	5
Organizational Challenges	0.866	5
Individual Challenges	0.837	5
Average	0.859	

Data were collected through the validated and pilot tested questionnaire distributed via Google Form from September 22 to 29, 2025. During data collection, ethical standards were strictly observed through the use of informed consent forms emphasizing voluntary participation, confidentiality, and respondent anonymity. After data collection, the responses were tallied, tabulated, and analyzed using the following statistical tools:

- a. Frequency distribution and percentages to present the demographic profile of respondents
- b. Weighted means to summarize employee readiness and digitalization challenges
- c. Pearson correlation coefficient (r) to examine the relationships between the variables for the three formulated null hypotheses evaluated at 0.05 alpha level, two-tailed: 1. Employee readiness in terms of knowledge and digitalization challenges; 2. Employee readiness in terms of skills and digitalization challenges; 3. Employee readiness in terms of attitudes and digitalization challenges. The digitalization challenges include factors related to technological, organizational, and individual.

Before conducting inferential tests, assumption checks were performed to confirm suitability for parametric analysis. Normality was assessed using the Shapiro-Wilk test and visual inspection of histograms and Q-Q plots; linearity was evaluated through scatterplots; homogeneity of variances was tested via Levene's test; and independence of observations was ensured, as each participant responded only once. Pearson's r was used to determine the strength and direction of the linear relationship between employee readiness and challenges in adapting to digitalization. As noted by , the Pearson correlation test is appropriate when both variables are measured on an interval or ratio scale and when a linear relationship is expected. Pearson's r quantifies the strength and direction of the linear association between two continuous variables, making it suitable for identifying whether higher readiness is associated with fewer or greater perceived challenges.

FINDINGS AND DISCUSSION

This section presents the study findings on the readiness and challenges of the employees of the insurance company, including demographics, dimensions, and the relationship between employee readiness and challenges faced during the digitalization process.

Demographic Profile

The demographic profile shows the respondents' age, sex, highest educational attainment, years of service, and position. Table 2 presents the demographic characteristics of the 79 employees surveyed

Table 2. Demographic Profile of the Respondents

Indicator	Frequency	Percentage
Age		
21 – 29 years old	18	22.78
30 – 39 years old	43	54.43
40 – 49 years old	13	16.46
50 years old and above	5	6.33
Total	79	100.00
Gender		
Male	29	36.71
Female	50	63.29
Total	79	100.00
Highest Educational Attainment		
Highschool Graduate	3	3.80
College Graduate	75	94.94
Master's Graduate	1	1.27
PhD	0	0.00
Total	79	100.00
Years of Service in the Company		
1-3 years	20	25.32
4-6 years	26	32.91
7-10 years	19	24.05
More than 10 years	14	17.72
Total	79	100.00
Position		
Associate	44	55.70
Analyst	22	27.85
Supervisor	10	12.66
Manager	3	3.80
Total	79	100.00

The findings show that most respondents were young to mid-career employees (ages 21–39), reflecting a workforce generally open to digital change, consistent with [Camacho et al. \(2024\)](#) who noted that younger employees are more adaptable to technology. The majority were female and college graduates, indicating strong potential for digital learning, though the lack of postgraduate degrees suggests reliance on company-provided training. Most had 4–6 years of service, showing a mix of new and experienced employees that supports peer learning but may create differences in digital readiness, as longer-serving staff may resist change. The dominance of associate and analyst positions highlights operational-level experience, while the few supervisors and managers provide proactive leadership support perspectives—supporting [Tsang and Wong's \(2024\)](#) emphasis that managerial involvement is crucial for effective digital transformation. Moreover, the employees with operational-level experience can strongly influence digitalization readiness in the subject insurance company because they sit at the intersection of daily processes, compliance requirements, and system use. Their role shapes both the practical adoption of digital

tools and the governance outcomes. Therefore, these employees are expected to possess the digital literacy and skills, which, according to Li (2026), is considered the most foundational element of employee readiness to digital transformation.

Employee Readiness for Digitalization

Employee readiness is a critical determinant of successful digital transformation, as it reflects the workforce’s capacity to acquire, apply, and sustain digital competencies in alignment with organizational initiatives. In this study, readiness was assessed across three key dimensions (knowledge, skills, and attitude) to capture both the cognitive and behavioral aspects of adaptation. According to recent literature, digital readiness is multidimensional: employees must not only understand digital concepts but also demonstrate technical proficiency and maintain a positive disposition toward change (Camacho et al, 2024; Iqbal et al, 2024). By examining these dimensions, the study provides a comprehensive view of how employees in the operations department perceive and engage with the company’s digitalization efforts. The results, summarized in Table 3, highlight specific areas of strength and improvement, offering insights into the workforce’s overall preparedness for digital transformation.

Table 3. Employee Readiness for Digitalization

Dimensions	Mean	Description
Knowledge	3.26	Moderately Ready
Skills	3.59	Moderately Ready
Attitude	3.26	Moderately Ready
Composite Mean	3.37	Moderately Ready

The results reveal that employees demonstrated a moderate level of readiness across all dimensions of knowledge, skills, and attitude toward digitalization. A moderate level of knowledge indicates that employees are aware of the importance of digital transformation but lack a deeper understanding of organization-specific digital systems and applications. The moderate level of skills suggests that employees can perform basic to intermediate digital tasks, yet require further training to handle more complex technological processes effectively. Similarly, the moderate level of attitude reflects openness to digital adoption but also a lack of full initiative or confidence in driving digital change. These findings align with the observations of Malakul and Sangkawetai (2024), who noted that employees often demonstrate practical competence but limited conceptual understanding of digital systems, and with Tsang and Wong (2024), who emphasized that contextual knowledge remains underdeveloped in many transitioning workplaces.

In the context of the insurance sector, these moderate levels imply that employees are still in the process of developing full digital readiness. This implies that systems and skills are largely in place, though some gaps remain. While they can operate existing digital tools, they may struggle to maximize advanced technologies for tasks such as client data management, claims automation, and analytics-based decision-making. Therefore, this level of readiness can lead to partial compliance with digital procedures, vulnerabilities in system integrity, and uneven digital risk mitigation, which will require strategic decisions about training, investment, and governance. This finding supports Camacho et al. (2024), who argued that technical capability must be supported by organizational learning and cultural readiness for digital transformation to succeed. Therefore, insurance companies should prioritize structured training programs, upskilling initiatives, and motivational interventions to strengthen both the technical and attitudinal components of digital

readiness. According to [Aranzamendez et al. \(2025\)](#) enhancing these areas will enable employees to adapt more effectively to technological advancements, improve operational efficiency, and support the organization’s overall digital transformation goals. This is an important concern for insurance company towards its goal of full digital transformation since according to [Veerasankararao and Saheb \(2025\)](#), digital readiness influences risk optimization and compliance in the insurance sector. It must be noted that the moderate digitalization readiness of the subject insurance company may differ from other industry sectors because of the unique mix of legacy systems, regulatory structures, and infrastructure constraints. These contextual factors shape how readiness translates into compliance, governance, and risk management in insurance sector. This is supported by [Rupeika-Apoga and Marano \(2023\)](#), who explained how legacy systems and regulatory demands make insurance digitalization uniquely challenging. Therefore, results may vary by country because of the differences in regulatory intensity, market maturity, and investment in digital infrastructure. For example, in South Korea, the high digital readiness is due to strong government digital policies and advanced IT infrastructure, while their legacy system constraints are less severe compared to Western markets ([Lee & Yim, 2025](#)).

Challenges in Adapting to Digitalization

The study assessed the level of challenges faced by respondents in adapting to digitalization across three key dimensions: technological, organizational, and individual. Table 4 presents a summary of the level of challenges in adapting to digitalization

Table 4. Challenges in Adapting to Digitalization

Dimensions	Mean	Description
Technological Challenges	3.80	High Challenge
Organizational Challenges	3.17	Moderate Challenge
Individual Challenges	2.66	Moderate Challenge
Composite Mean	3.21	Moderate Challenge

It reveals that employees encountered varying levels of challenges in adapting to digitalization. Technological challenges were rated high indicating that limitations in digital infrastructure, outdated systems, and inadequate technical support are major barriers to digital adaptation. This further implies that severe obstacles are critically hindering digitalization. This finding supports [Kreiterling \(2023\)](#), who stated that access to reliable technology directly affects organizational performance and digital innovation. Organizational challenges and individual challenges were both rated moderate, suggesting that while some structural and personal support for digital transformation exists, it remains insufficient. As [Wagan et al. \(2025\)](#) emphasized, effective digital transformation requires strong managerial leadership, cultural alignment, and adequate resource distribution. Similarly, [Villaseñor \(2024\)](#) noted that personal adaptability may be limited by training gaps and socio-economic barriers. These findings imply that although employees are open to digital change, gaps in organizational guidance and individual capacity continue to affect their overall readiness.

The composite mean of 3.21, interpreted as moderate, indicates that employees are in the developing stage of digital readiness, capable of basic digital adaptation but not yet fully efficient or confident in utilizing advanced technologies. In the context of the insurance sector, this suggests that digital transformation is progressing but remains incomplete due to persistent technological and structural limitations. Employees’ moderate readiness reflects both their willingness to adapt and their need for stronger institutional support. To enhance readiness and efficiency, insurance

companies must invest in continuous technological upgrades, leadership-driven strategies, and employee-focused digital literacy programs. According to Wagan et al. (2025), strengthening these areas will enable employees to adapt more confidently, improve operational performance, and sustain long-term innovation in the digital workplace.

Relationship between Employee Readiness and the Challenges Faced during the Digitalization Process

The relationship between employee readiness and the challenges faced in digitalization was analyzed using the Pearson (r) parametric test. The data satisfied the assumptions of normality, linearity, and homoscedasticity, validating the use of the Pearson correlation. The test was conducted to evaluate the following null hypothesis:

Ho1: There is no significant relationship between the employees' readiness to digitalization adaptation in terms of their knowledge and the challenges encountered across technological, organizational, and individual factors during the digitalization process.

Ho2: There is no significant relationship between the employees' readiness to digitalization adaptation in terms of their skills and the challenges encountered across technological, organizational, and individual factors during the digitalization process.

Ho3: There is no significant relationship between the employees' readiness to digitalization adaptation in terms of their attitudes and the challenges encountered across technological, organizational, and individual factors during the digitalization process.

Table 5. presents the results of the relationship between employee readiness and challenges faced during the digitalization process.

Employee Readiness	Challenges Faced during the Digitalization Process	N	R	Interpretation*	p-value	Decision**
Knowledge	Technological Challenges	79	0.479	Moderate Positive	<.001	Ho1 Rejected
	Organizational Challenges	79	0.630	Strong Positive	<.001	Ho1 Rejected
	Individual Challenges	79	0.342	Weak Positive	<.001	Ho1 Rejected
Skills	Technological Challenges	79	0.437	Moderate Positive	<.001	Ho2 Rejected
	Organizational Challenges	79	0.535	Moderate Positive	<.001	Ho2 Rejected
	Individual Challenges	79	0.304	Weak Positive	0.006	Ho2 Rejected
Attitude	Technological Challenges	79	0.461	Moderate Positive	<.001	Ho3 Rejected
	Organizational Challenges	79	0.664	Strong Positive	<.001	Ho3 Rejected
	Individual Challenges	79	0.318	Weak Positive	0.004	Ho3 Rejected

*Correlation matrix: -.7 to 1 – Very Strong Negative; -.5 to -.7 – Strong Negative; -.3 to -.5 – Moderate Negative; 0 to -.3 – Weak Negative; 0 – None; 0 to .3 – Weak Positive; .3 To .5 – Moderate Positive; .5 to .7 – Strong Positive; .7 to 1 – Very Strong Positive

**Decision based on p-value: p > 0.05 – Ho not rejected; p ≤ 0.001 – Ho rejected

The findings reveal that overall readiness is moderately and positively associated with the challenges encountered. This implies that employees who are more knowledgeable, skilled, and open to digitalization are more likely to recognize and experience the limitations of systems and organizational structures. By dimension, knowledge demonstrated a moderate positive correlation with challenges, implying that employees who understand digital processes tend to be more aware of implementation gaps. Skills showed the weakest but still significant correlation, suggesting that even employees capable of applying digital tools effectively encounter obstacles when support

systems are insufficient. Attitude exhibited the strongest correlation with challenges, indicating that while employees with positive outlooks are receptive to digital transformation, they remain constrained by infrastructural and organizational shortcomings that hinder smooth adaptation. Overall, the study's findings indicate that all three components of employee readiness such as knowledge, skills, and attitude are significantly related to the challenges in digital adaptation, as evidenced by p-values below the 0.05 threshold. This indicates a rejection of the of the three null hypothesis (Ho1, Ho2, Ho3), confirming that the dimensions of readiness such as knowledge, skills, and attitude significantly influence adaptation challenges in all dimensions related to technological, organizational, and individual. Employees with higher readiness levels are more aware of technological and organizational barriers, suggesting that preparedness alone is not enough for successful digitalization. The finding likewise impacts organizational processes, digital governance, and operational risk management. High readiness mitigates risks by ensuring employees can adhere to controls and safely use systems, while unresolved challenges amplify governance vulnerabilities. These two factors (digitalization readiness and challenges in digital adaptation), according to [Michelotto and Joia \(2024\)](#) are material to effective governance and sustainability of digital transformation.

The study's findings support the TAM framework in understanding employee readiness and challenges in digital adaptation. These are consistent with prior studies ([Thuy, 2024](#); [Luo et al., 2024](#)), which revealed that perceived ease of use and usefulness significantly influence employees' readiness for digital transformation. Similarly, [Khoza et al. \(2024\)](#) also emphasized that enhancing knowledge, skills, and fostering positive attitudes improve technology engagement and adoption. Moreover, [Cieslak \(2025\)](#) highlighted that addressing technological, organizational, and individual barriers is critical for successful digital adoption. Collectively, these studies support the notion that organizations can mitigate adaptation challenges and promote effective technology adoption by building employee competencies and addressing contextual obstacles, aligning with TAM's constructs of perceived ease of use and perceived usefulness.

Proposed Strategies to Strengthen Employee Readiness and Reduce Adaptation Challenges in the Company's Digitalization Initiatives

In the context of digital adaptation, organizations face multifaceted challenges that can impede the successful integration of new technologies ([Susanti et al., 2023](#); [Vial, 2019](#)). To address these challenges effectively, it is essential to enhance employee readiness across three critical dimensions: knowledge, skills, and attitude ([Iqbal et al., 2024](#)). The proposed strategies aim to strengthen these dimensions, thereby facilitating a smoother transition to digital environments. These interventions are grounded in established research and best practices on digital transformation and change management, ensuring their relevance and potential for success ([Camacho et al., 2024](#)).

The recommended strategies are designed to enhance employee readiness specifically, knowledge, skills, and attitude to reduce the challenges in digital adaptation. The rationale is grounded in TAM, which posits that successful adoption of technology is determined by three key factors: perceived usefulness, perceived ease of use, and attitude toward using technology. The proposed strategies outlined in Table 6 directly respond to the strong positive relationships between employee readiness and the challenges faced in digital adaptation. These strategies are aligned with the TAM framework, showing how initiatives targeting knowledge and skills improve perceived ease of use, while those addressing attitudes enhance perceived usefulness, thereby facilitating smoother adoption of digital systems across the organization ([Al-Emran et al., 2020](#); [Chen et al., 2024](#); [Li et al., 2023](#)).

Table 6. Proposed Strategies to Strengthen Employee Readiness and Reduce Adaptation Challenges in the Company’s Digitalization Initiatives

Dimension	Challenges Targeted	Objective	Strategy	Persons Involved	Budget Allocation / Source	Time Frame	Expected Output	Risk
Knowledge	Technological, Individual	Increase employees’ understanding of digital systems	Create tiered digital training programs and microlearning modules	L&D Team, Department Heads, External Trainers	Training budget / HR Development Fund	3–6 months	Employees can effectively navigate digital systems; increased awareness of benefits	Low engagement; knowledge decay if no reinforcement
Skills	Technological, Organizational	Strengthen employees’ ability to use digital tools	Conduct hands-on workshops and simulations; pilot program participation	IT Team, Department Champions, Trainers	Training budget / IT Support Fund	6–9 months	Employees demonstrate practical competence in digital tools; smoother transition	Resistance to practice-based learning; technical issues during pilots
Attitude	Organizational, Individual	Promote positive mindset toward digital adoption	Leadership communication and support; change champions/peer mentoring; recognition & reward systems	HR, Team Leaders, Managers	HR / Recognition Budget	3–12 months	Higher motivation and proactive engagement in digitalization; reduced resistance	Cultural inertia; inconsistent managerial support
Knowledge & Skills	Technological	Reduce errors and increase self-sufficiency	Development of digital playbooks, guides, FAQs	IT Team, L&D, Content Developers	IT / Training Materials Budget	2–4 months	Reference materials accessible to all; fewer support tickets	Employees may ignore materials if not incentivized
Skills & Attitude	Individual, Organizational	Ensure continuous adaptation and adoption	Iterative feedback loops from pilot programs	Project Managers, IT Team, Department Heads	Project / Implementation Budget	6–12 months	Gradual, smooth adoption; lessons integrated into process	Feedback delayed; partial adoption may occur
Attitude	Individual	Reduce stress, digital fatigue, and resistance	Employee wellness and stress management programs; open forums for concerns	HR, Team Leaders, Wellness Committee	HR / Wellness Fund	3–12 months	Improved morale and openness to digital change	Low participation; underestimation of workload impact
Knowledge, Skills & Attitude	Organizational	Institutionalize a culture of digital adoption	Leadership training on digital culture; align performance metrics with digital adoption	Senior Management, HR, Team Leads	Leadership Development Fund	6–12 months	Sustained digital culture; leaders model adoption; performance metrics encourage use	Lack of follow-through; inconsistent evaluation

CONCLUSION

This study assessed the digital readiness of employees in a Philippine insurance company and examined how their readiness relates to perceived barriers encountered during digital transformation. The findings, sequenced by the study’s objectives, reveal that employees of the insurance company exhibited a moderate level of digital readiness, characterized by strong positive

attitudes toward digital transformation but comparatively weaker technical skills. While employees generally recognize the value of digital initiatives, gaps in digital competence and applied knowledge highlight the need for systematic and continuous capacity-building programs. The study also found that technological barriers, including system inefficiencies and inadequate digital infrastructure, emerged as the most significant challenges, with organizational and individual factors exerting a moderate and limited influence, respectively. Moreover, the study also established a significant positive correlation between employee readiness and perceived challenges during digital transformation. This implies that even digitally prepared employees are acutely aware of the systemic and managerial limitations, underscoring that readiness alone is insufficient to ensure successful digital adoption without comprehensive organizational and technological support. Relative to these findings, the researchers proposed strategies to strengthen employee readiness and reduce adaptation challenges in the insurance company's digitalization initiatives.

Overall, the findings underscore that successful digital transformation necessitates a dual approach encompassing both human capital development and structural enhancement. These findings are consistent with TAM-informed expectations that employee readiness shapes perceptions of ease of use and usefulness, while contextual barriers moderate this process, highlighting the interplay between individual capabilities and organizational conditions. From a practical perspective, the study points to actionable steps for the different departments/ units of the insurance company for the following concerns: 1. IT, Operations, Finance, and HR must jointly address technological challenges by upgrading infrastructure, enhancing cybersecurity, and supporting adoption to reduce resistance; 2. HR with Department Heads and IT should implement tiered skills training through e-learning, workshops, and mentorship to build confidence and capability across different employee levels; 3. The management committee, supported by HR, IT, and Operations, needs to strengthen governance and engagement by setting clear strategic direction, enforcing accountability, and ensuring transparent communication. Together, these coordinated actions enhance digital maturity, align employee readiness with organizational needs, and ensure smoother digital transformation.

LIMITATION AND FURTHER RESEARCH

This study provides important insights into the relationship between employee readiness and the challenges faced during digitalization in the insurance sector. However, it is not without limitations. Conducted within a single mid-sized insurance company in the Philippines, the findings may not be generalizable to other organizations, industries, or regions. The descriptive-correlational design also prevents the establishment of causal relationships, as other factors such as leadership support, workplace culture, technological infrastructure, and training opportunities may also play significant roles. In addition, the reliance on self-reported data raises the possibility of response bias, with employees potentially overstating their readiness or downplaying difficulties. The cross-sectional nature of the study further limits the ability to capture changes in readiness and challenges over time.

To address these limitations, future research should expand to multiple organizations and industries, employing longitudinal or experimental designs to explore causal pathways and long-term impacts. Mixed methods approach, combining surveys with interviews or focus group discussions, may provide deeper insights into employees' lived experiences and organizational contexts. Further studies could also examine the mediating roles of leadership effectiveness, digital infrastructure, and training adequacy in shaping readiness and challenges. Additionally, exploring differences across employee groups, such as frontline and back-office staff, may offer a more nuanced understanding of readiness within functional roles. By investigating these dimensions and

evaluating the effectiveness of targeted interventions, future research can contribute to a more comprehensive framework for managing digital transformation across organizations.

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