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The Role of Employee Well-Being in Mediating the Effect of AI Readiness on Employee Performance

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Abstrak: This article examines the role of employee well-being as a mediator in the relationship between AI readiness and employee performance in the era of digital transformation. Organizational and individual readiness to adopt artificial intelligence (AI) is increasingly becoming a crucial determinant of work productivity, but its impact on employee performance is not always direct and linear. Based on the Job Demands-Resources (JD-R) and Conservation of Resources (COR) frameworks, this article synthesizes findings from various recent empirical studies (2021-2026) to develop a conceptual model that positions employee well-being as the primary link between AI readiness and performance outcomes. This study highlights a research gap in the lack of simultaneous integration of psychological and technological dimensions within a single model, particularly in the context of organizations in developing countries like Indonesia. The method used is a narrative-systematic literature review analyzing 30 Scopus-indexed and other reputable scientific articles with active DOIs. The synthesis results indicate that AI readiness has a positive effect on employee well-being when balanced with organizational support, training, and adaptive leadership, while its direct effect on performance tends to be weaker than its indirect effect through well-being. Theoretical and practical implications are formulated to drive human-centered and sustainable AI transformation strategies for organizations.

Keywords : AI readiness; employee well-being; employee performance; mediation; digital transformation



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INTRODUCTION

Digital transformation driven by artificial intelligence (AI) has fundamentally changed the way organizations manage human resources and work processes. AI adoption has now penetrated nearly every sector, from manufacturing and financial services to hospitality and higher education and healthcare, with the goal of improving efficiency, decision-making accuracy, and organizational competitiveness. However, the success of this transformation is not solely determined by the availability of technology but also by the readiness of organizations and individuals to accept, understand, and utilize AI effectively, known as AI readiness (Jamil et al., 2025; Joehnk et al., 2021). AI readiness encompasses the dimensions of technology, organizational culture, employee digital competency, and mental readiness to face changes in the way work is carried out by automation and intelligent algorithms.

AI readiness has become a strategic issue as global industry reports consistently show that workforce readiness remains a major barrier to successful AI integration in many organizations (Zhang, Liu, et al., 2025). When employees are not cognitively or emotionally prepared for AI, the technology's potential benefits to productivity can be reduced, even leading to negative psychological impacts such as AI anxiety, job insecurity, and decreased motivation (He et al., 2023; Bai et al., 2024). On the other hand, when AI readiness is well-managed through training, organizational support, and adaptive leadership, AI can become a job resource that enriches work and drives higher performance (Kong et al., 2023; Prasad & De, 2024).

Employee performance remains a key indicator of organizational success in the digital age, as aggregate individual performance determines overall organizational productivity, cost efficiency, and sustainability (Alwali & Alwali, 2025; Soomro et al., 2025). Several previous studies have confirmed that AI readiness and AI adoption in general contribute positively to performance, whether through increased task efficiency, reduced administrative workload, or strengthened data-driven decision-making (Jamil et al., 2025; Obeng et al., 2026). However, the relationship between AI readiness and employee performance is not always direct and consistent. Some studies have found that the impact of AI on performance is highly dependent on how the technology primarily affects employees' psychological well-being (Xu et al., 2023; Zhao et al., 2025).

This is where the concept of employee well-being becomes relevant as an explanatory mechanism that bridges AI readiness with employee performance. Employee well-being refers to the psychological, emotional, and physical state of employees, encompassing job satisfaction, affective balance, vitality, and a sense of meaning in work (Shaikh et al., 2023; Loureiro et al., 2022). Based on the Job Demands-Resources (JD-R) and Conservation of Resources (COR) frameworks, AI technology can be positioned as a work resource that, if perceived positively by employees, will increase psychological energy and work engagement, which in turn drives better performance (Lee & Jo, 2023; Zhang, Liu, et al., 2025). Conversely, if AI is perceived as a threat to job security or increases cognitive demands, employee well-being can decline and negatively impact performance even if technological readiness is relatively high (Bai et al., 2024; Kim & Lee, 2024).

Recent literature also shows that employee well-being has been empirically proven to mediate the relationship between various forms of AI interventions and employee outcomes. Shaikh et al. (2023) found that knowledge sharing and well-being mediate the effect of AI on employee productivity. A study by G. and G. (2025) showed that work engagement mediates the relationship between AI-driven HR practices and well-being. Nanjundeswaraswamy et al. (2026) emphasized the role of AI in enhancing well-being and performance in hybrid work environments. Meanwhile, Jia and Hou (2024) and Mahade et al. (2025) highlighted how sustainable AI-based HR practices interact with employee personality attributes and beliefs to shape work outcomes. These studies collectively strengthen the argument that well-being is not simply an ancillary variable, but rather a central pathway explaining why AI readiness does not always have a uniform impact on performance across organizational contexts.



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Although the study of AI and employee performance has grown rapidly, several research gaps underlie the novelty of this article. First, most previous studies tend to examine AI readiness and employee performance separately, or position well-being as an independent variable rather than a formal mediator within an integrated model framework (Jamil et al., 2025; Soomro et al., 2025). Second, many studies focus on the context of developed countries or specific industries such as hospitality and manufacturing (Kong et al., 2023; Jerez-Jerez, 2025), while cross-sector integration that considers the diversity of organizational cultures in developing countries, including Indonesia, remains limited. Third, the psychological dimension of employee well-being is often reduced to job satisfaction alone, without simultaneously considering the hedonic and eudaimonic dimensions suggested by contemporary well-being frameworks (Xu et al., 2023; Zhang, Liu, et al., 2025). Fourth, the role of contextual factors such as leadership, organizational support, and digital readiness of organizational culture as boundary conditions of well-being mediation has not been widely integrated in a comprehensive model (Jeong et al., 2024; Obeng et al., 2026; Qaiser et al., 2025).

Based on these gaps, the main novelty of this article lies in three aspects. First, it integrates the literature on AI readiness, employee well-being, and employee performance into a single, coherent mediational conceptual model, rather than discussing them fragmentarily as is common in previous research. Second, it explicitly maps the hedonic and eudaimonic dimensions of well-being as dual pathways to performance, providing a richer understanding than unidimensional approaches. Third, it emphasizes the contextual relevance for organizations in developing countries, highlighting the importance of organizational support, adaptive leadership, and a digital culture as prerequisites for AI readiness to truly translate into improved well-being and performance, rather than becoming a source of new psychological distress.

Theoretically, the strengthening of the well-being mediation argument can also be traced from the Conservation of Resources (COR) perspective, which states that individuals constantly strive to acquire, maintain, and protect their resources, whether in the form of energy, time, or psychological well-being (Lee & Jo, 2023). When an organization's AI readiness is high and accompanied by adequate training, employees gain additional resources in the form of time efficiency, decision-making support, and a reduction in routine task burdens, thereby increasing their psychological resource reserves and manifesting as better well-being (Zhang, Liao, et al., 2025; Li et al., 2025). Conversely, if the AI transition process takes place without adequate support, employees experience a resource loss spiral that can trigger emotional exhaustion, cynicism, and decreased performance (Kim & Lee, 2024; Jeong et al., 2024). The Technology Readiness perspective complements this framework by emphasizing that individual optimism and innovativeness toward new technologies will strengthen the positive influence of AI readiness on well-being, while discomfort and anxiety toward technology will weaken it (Joehnk et al., 2021; Cramarenco & Burcă-Voicu, 2023).

The relevance of this study is increasingly important in the context of Indonesia and other developing countries, where the digital literacy gap between industries and between generations of employees remains quite wide, while pressure to adopt AI is coming rapidly due to global competition and demands for cost efficiency. Organizations in developing countries often adopt AI technology at a pace that is not matched by psychological readiness and a supportive work culture, resulting in a higher risk of technostress and job insecurity compared to organizations in developed countries that already have a more mature digital infrastructure and innovation culture (Sadeghi, 2024; Thangaraju & Palani, 2025). This condition emphasizes that an effective AI transformation strategy cannot focus solely on technical-infrastructure aspects, but must be accompanied by managerial interventions that intentionally maintain and improve employee psychological well-being throughout the transition process.

By synthesizing findings from 30 recent scientific studies (2021-2026) spanning various sectors, countries, and methodological approaches, this article aims to formulate a conceptual model of the



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mediating role of employee well-being in the relationship between AI readiness and employee performance, while also providing direction for future empirical testing and managerial implications. A more holistic understanding of this mechanism is crucial for organizations to focus not only on the speed of technology adoption but also on the sustainability of employee psychological well-being as a foundation for long-term performance, enabling AI-based digital transformation to be human-centered and sustainable.

METHOD

This article uses a narrative-systematic literature review approach to develop a conceptual model of the mediating role of employee well-being in the relationship between AI readiness and employee performance. This approach was chosen because the article's goal is to synthesize and integrate empirical findings from various journals and industry contexts into a coherent theoretical framework, serving as a basis for empirical model testing in further research.

Literature sources were collected through reputable academic databases, including Scopus-indexed journals searchable through Google Scholar, with search keywords including "AI readiness," "employee well-being," "employee performance," "mediating role," and combinations thereof. Article inclusion criteria were: (1) published between 2021 and 2026 to ensure the relevance of the findings; (2) peer-reviewed journal articles or conference proceedings; (3) active and accessible digital object identifiers (DOIs); and (4) directly addressing the relationship between AI adoption/readiness, employee well-being, and/or employee performance. Articles that only discussed AI from a technical-computational perspective without any connection to organizational behavior were excluded from the analysis.

The selection process resulted in 30 articles that met the criteria, consisting of 25 articles that served as the main references for the initial search and 5 additional articles obtained through independent searches to enrich the theoretical perspective, particularly regarding the concept of organizational AI readiness and the well-being dimension. The analysis was carried out through the following stages: (1) data extraction in the form of research context, sample, variables, analysis methods, and main findings from each article; (2) thematic grouping based on three main relationship pathways, namely AI readiness–well-being, well-being–performance, and the overall mediating effect of well-being; and (3) narrative synthesis to identify patterns of convergence, divergence, and boundary conditions among the studies.

Based on this synthesis, this study develops a conceptual framework that positions AI readiness as an exogenous variable, employee well-being as a mediator, and employee performance as an endogenous variable, while considering several contextual factors (organizational support, adaptive leadership, digital culture, personality, and job complexity) as conditions that strengthen or weaken the mediation pathway. This conceptual framework is depicted in Figure 1.



Figure 1. Conceptual Model of Employee Well-Being Mediation in the Relationship between AI Readiness and Employee Performance

As a methodological note, this article is conceptual in nature and does not involve primary data collection or statistical testing on a specific employee sample. Therefore, the framework in Figure 1 and the synthesis in the Results and Discussion section are intended as a theoretical basis that can be further



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tested through quantitative approaches, for example using Structural Equation Modeling (SEM) or Partial Least Squares-SEM (PLS-SEM) methods involving employee samples in specific sectors to validate the strength of the proposed direct and indirect relationships

RESULTS AND DISCUSSION

A synthesis of the 30 articles analyzed yields a coherent picture of how AI readiness, employee well-being, and employee performance are interrelated. The following discussion follows the conceptual model outlined in the methods section: (1) the relationship between AI readiness and employee well-being, (2) the relationship between employee well-being and employee performance, (3) the mediating role of well-being as a whole, and (4) contextual factors that strengthen or weaken the mediating pathway.

AI Readiness and Employee Well-Being

The majority of studies reviewed indicate that AI readiness, both at the organizational and individual levels, is positively related to employee well-being when the technology adoption process is accompanied by adequate support. Jamil et al. (2025) found that technology readiness contributes to sustainable performance in Pakistani manufacturing SMEs, provided that employees have a positive perception of the benefits of AI. Xu et al. (2023) specifically showed that AI opportunity perception improves employee well-being through a multilevel mediation mechanism, while Zhang, Liu, et al. (2025) emphasized that co-skilling and organizational support strengthen employee mental well-being in an AI-based work environment. Bibi et al. (2025) added that AI capabilities influence well-being through cybernetic thinking as a mediator, indicating that the effects of AI on well-being are both cognitive and affective.

However, not all findings are uniformly positive. He et al. (2023) and Bai et al. (2024) found that the perception of AI as a threat (hindrance appraisal) can trigger job insecurity and even counterproductive work behaviors, which in turn depress employee well-being. Similarly, Kim and Lee (2024) emphasized that the mental health impact of AI adoption is highly dependent on individual self-efficacy; employees with high self-efficacy tend to experience improved well-being, while those with low self-efficacy are vulnerable to psychological distress. This pattern is consistent with the findings of Loureiro et al. (2022), who provocatively questioned whether working with AI can bring happiness and concluded that AI-induced stress can be transformed into positive outcomes only if accompanied by adequate psychological support and training. Thus, the relationship between AI readiness and well-being is not deterministic, but rather highly dependent on how the adoption process is managed managerially.

Employee Well-Being and Employee Performance

In the second pathway, the reviewed studies consistently confirm that employee well-being is a strong predictor of performance. Shaikh et al. (2023) found that well-being, along with knowledge sharing, mediates the effect of AI on employee productivity across various service sectors. Lee and Jo (2023) confirmed through the JD-R framework that work engagement, rooted in psychological well-being, mediates the relationship between job resources and performance. Nanjundeswaraswamy et al. (2026) explicitly emphasized the role of AI in simultaneously enhancing well-being and performance in hybrid work environments, noting that these benefits are only optimal when employees feel they have control (autonomy) over how they use the technology.

Studies focused on the hospitality industry further reinforce this pattern. Kong et al. (2023) found that exploration, trust in AI, and a proactive personality foster employee innovation by enhancing positive psychological well-being. Jerez-Jerez (2025) demonstrated that employees' positive attitudes toward AI contribute to the non-financial performance of independent hotels, a finding relevant to the context of small-to-medium-sized organizations in developing countries. Meanwhile, Zhao et al. (2025) demonstrated an interesting duality: AI awareness can foster self-reflection that improves in- and extra-role performance, but it also has the potential to trigger over-reliance that actually reduces independent work initiative if not balanced with adequate psychological well-being.



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The Mediating Role of Employee Well-Being

When these two pathways are combined, the mediation pattern becomes clearer. G. and G. (2025) specifically showed that work engagement mediates the relationship between AI-driven HR practices and employee well-being, strengthening the argument that well-being does not exist in isolation but interacts with other psychological constructs in the causal chain leading to performance. Prasad and De (2024) found that trust mediates the relationship between generative AI and HR practices, indirectly contributing to work outcomes by increasing employees' sense of psychological safety. Findings from Alwali and Alwali (2025) complement this picture by showing that emotional intelligence and effective leadership strengthen the relationship between AI-driven HR practices and employee performance, indicating that well-being serves as a psychological bridge that channels the benefits of technology into tangible work outcomes.

Serial mediation patterns were also found in organizational contexts in developing countries. Obeng et al. (2026) showed that technological readiness and digital culture sequentially mediate employees' behavioral intentions to use AI on organizational efficiency, while Mahade et al. (2025) found a similar moderated-mediation pattern in the higher education sector in the United Arab Emirates. Soomro et al. (2025), using a SEM-ANN approach, confirmed that the impact of AI technology on the sustainable performance of SMEs is non-linear and highly moderated by the organization's adaptive capacity, a finding relevant to understanding why the mediation effect of well-being is not always symmetrical across organizational types.

Contextual Factors as Boundary Conditions

Several studies highlight the importance of contextual factors that strengthen or weaken the mediating pathway of well-being. Jeong et al. (2024) found that coaching leadership mitigated the negative impact of work stress resulting from the AI transition on employees' physical health, while Qaiser et al. (2025) showed that psychological safety mediated the relationship between digital leadership and employee thriving, with AI readiness serving as a moderator that strengthened this effect in a hybrid university environment. Gemmano et al. (2026) added that HR practices and personal attitudes toward AI contribute to shaping meaningful work, which ultimately influences the extent to which employees derive psychological benefits from AI use.

Personality dimensions and job complexity also serve as important boundary conditions. Zhang, Liao, et al. (2025) found that openness to experience and job complexity moderate the relationship between AI adoption and innovation behavior, while Li et al. (2025) demonstrated a dual-pathway pattern between AI awareness and employee innovation within organizational systems. These findings broaden the understanding that AI's transformative impact on employee engagement and performance is multidimensional and cannot be reduced to a single cause-and-effect relationship. Meanwhile, studies based in Asian contexts such as Jia and Hou (2024) suggest that conscientiousness, as a personality trait, moderates the synergy between AI-based sustainable HR practices and employee work engagement.

Synthesis of Findings and Implications

Overall, the synthesis of 30 studies reveals three key threads. First, AI readiness tends to have a stronger indirect effect on employee performance than its direct effect, with employee well-being acting as the primary connecting pathway. Second, the direction of AI readiness's influence on well-being depends heavily on how the transition process is managed; organizational support, training, adaptive leadership, and trust in technology are prerequisites for AI readiness to translate into improved well-being, rather than becoming a source of new stress. Third, the effectiveness of this mediating pathway is contextual, influenced by individual personality, job complexity, the organization's digital culture, and the industry sector in which the employee works.

The synthesized findings provide consistent support for the proposed conceptual relationships between AI readiness, employee well-being, and employee performance. First, AI readiness is more likely to generate positive outcomes when employees receive adequate training, organizational support, and



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opportunities to maintain autonomy in technology use. Second, improved employee well-being contributes to stronger performance through greater engagement, psychological resources, and meaningful work experiences. These findings indicate that employee well-being is not merely an accompanying outcome of AI adoption but functions as an important mechanism through which technological readiness can be translated into sustainable employee performance.

The findings also suggest that the strength and direction of these relationships are influenced by contextual conditions. Organizational support, adaptive leadership, digital culture, individual self-efficacy, personality, and job complexity can strengthen or weaken the positive effects of AI readiness on well-being and performance. Therefore, the proposed model should be understood as a conditional rather than purely linear relationship. This perspective reinforces the importance of integrating technological readiness with human-centered organizational practices when implementing AI in the workplace, particularly in developing-country contexts where differences in digital capability and organizational readiness may be more pronounced.

The following table summarizes a number of key studies that form the basis of the above synthesis, including the research context, key variables, and key findings relevant to this article's conceptual model.

Researcher (Year)	Context	Key Findings
Jamil et al. (2025)	Pakistani manufacturing SMEs	Technology readiness strengthens AI-driven sustainable performance.
Shaikh et al. (2023)	Service employees	Knowledge sharing and well-being mediate AI's effect on productivity.
Xu et al. (2023)	Chinese employees	Positive AI opportunity perception improves employee well-being.
Lee & Jo (2023)	Cross-sector employees	Employee engagement mediates the relationship between job resources and performance.
He et al. (2023)	Hospitality employees	AI perceived as a threat increases job insecurity and reduces performance.
Kim & Lee (2024)	Multi-sector employees	Self-efficacy moderates the mental health effects of AI adoption.
Jeong et al. (2024)	Employees undergoing AI transition	Coaching leadership alleviates AI-related stress and supports employee health.
Zhang, Liu, et al. (2025)	AI-enabled workforce	Organizational support and co-skilling enhance well-being and reduce job insecurity.
Bai et al. (2024)	Multi-sector employees	AI threat perception increases counterproductive work behavior.
Nanjundeswaraswamy et al. (2026)	Hybrid workplaces	AI improves well-being and performance when supported by work autonomy.
Obeng et al. (2026)	Employees in developing economies	Technology readiness and digital culture improve AI adoption efficiency.
Soomro et al. (2025)	SMEs	Adaptive capacity strengthens AI's contribution to sustainable performance.

Hedonic and Eudaimonic Dimensions in Well-Being Mediation

One important finding from the literature synthesis is that the mediating effect of well-being cannot be fully understood if viewed solely from a hedonic perspective, namely satisfaction and short-term positive affect. Several studies reviewed, such as Nanjundeswaraswamy et al. (2026) and Zhang, Liu, et al. (2025), instead highlight the eudaimonic dimension of meaningfulness, mastery, and digital competency growth as more durable pathways to explaining long-term performance. Employees who experience a



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sense of professional growth through interactions with AI tend to demonstrate higher work commitment and initiative than those who simply experience emotional well-being without any associated competency growth. Gemmano et al. (2026) strengthen this argument by showing that meaningful work, formed from the positive interaction between personal attitudes and AI-based HR practices, is a crucial prerequisite for sustainable work motivation amidst rapid technological change. Therefore, mediation models that rely solely on job satisfaction indicators risk simplifying psychological mechanisms that are actually far more complex, encompassing both short-term affective balance and long-term sense of purpose and growth.

This difference in emphasis on the hedonic and eudaimonic dimensions also explains why the magnitude of the well-being mediation effect varies across studies. Studies using simple indicators of job satisfaction, such as some of the instruments in Shaikh et al.'s (2023) study, tend to report more moderate mediation effects than studies using multidimensional indicators encompassing vitality, engagement, and work meaning, as in Lee and Jo (2023) and Li et al. (2025). This methodological variation is an important note for future researchers to avoid generalizing the strength of the mediation effect without considering the well-being measurement instrument used.

Relevance for Organizations in Developing Countries

The above discussion is particularly relevant for organizations in developing countries, including Indonesia, which are facing the dual pressures of accelerating AI adoption and limited digital infrastructure and cultural readiness. Sadeghi (2024) and Thangaraju and Palani (2025) emphasize that in many developing organizations, generational differences and digital literacy levels create a significant gap in employee experience with AI, so the effects of AI readiness on well-being cannot be generalized across the workforce. Younger employees who are more familiar with digital technology tend to perceive AI as an opportunity for personal development, while employees with lower digital literacy risk perceiving it as a threat to their job security. This is consistent with the argument of Joehnk et al. (2021), who emphasize that organizational readiness for AI is not simply a technical issue but also a cultural and internal communication issue that requires a careful change management approach.

In this context, the role of human resource management becomes crucial as a link between a company's digital transformation strategy and the day-to-day psychological experiences of employees. Cramarenco and Burcă-Voicu (2023) highlight that the impact of AI on employee skills and well-being is strongly influenced by the extent to which organizations provide new competency development pathways relevant to AI-based work demands, rather than simply replacing routine employee tasks with automation without providing meaningful new roles. Consequently, organizations in developing countries need to design AI transformation roadmaps that explicitly include indicators of employee psychological well-being as part of their digital transformation key performance indicators, rather than simply cost efficiency or speed of technology implementation.

The implications of this synthesis emphasize that organizations cannot treat investing in AI readiness as a single solution to improving employee performance. Instead, organizations need to simultaneously design interventions that maintain and enhance employee psychological well-being throughout the AI transition, including through training programs that build digital self-efficacy, supportive leadership, transparent communication about the impact of AI on job security, and job design that allows employees autonomy in interacting with technology. With this strategy, AI readiness has the potential to become a double lever that simultaneously improves employee well-being and performance, rather than becoming a new source of tension in workplace relationships in the era of artificial intelligence.

CONCLUSIONS

This article concludes that employee well-being plays a central role as a mediator in the relationship between AI readiness and employee performance. A synthesis of 30 recent studies shows that AI readiness does not automatically improve employee performance, but rather works primarily through an indirect pathway, first influencing employees' psychological, emotional, and affective states. When the AI adoption



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process is accompanied by organizational support, adequate training, adaptive leadership, and space for employee autonomy, AI readiness tends to improve well-being, which then transforms into improved performance. Conversely, without proper management, high AI readiness can trigger anxiety, job insecurity, and decreased psychological well-being, ultimately depressing employee performance.

Theoretically, this article contributes by integrating the Job Demands-Resources and Conservation of Resources frameworks into a single mediation model that explains the AI readiness-well-being-performance mechanism more comprehensively, while emphasizing the importance of distinguishing the hedonic and eudaimonic dimensions of well-being in explaining long-term performance. Practically, these findings imply that organizations, including those in developing countries like Indonesia, need to design human-centered AI transformation strategies, by making employee psychological well-being an indicator of digital transformation success, rather than merely the speed or efficiency of technology implementation.

This article has limitations due to its conceptual nature and the lack of empirical data testing on a specific employee sample. Therefore, further research is recommended to quantitatively test the proposed conceptual model using approaches such as PLS-SEM across different industry sectors and organizational cultural contexts, including examining the moderating role of contextual variables such as leadership, personality, and organizational digital culture in greater depth to strengthen the model's external validity.

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