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Dynamic Capabilities and Digital Transformation: Toward Strategic Planning in the Digital Age—Evidence from Palestine

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Abstract: The concept of digital maturity has gained prominence in the context of digital transformation. It refers to an organization's ability to effectively adapt to changing environments using digital technologies. At the same time, the dynamic capabilities of an organization play a crucial role in maintaining a competitive advantage. These capabilities allow organizations to integrate, build, and reconfigure competencies in response to market dynamics. Despite empirical evidence supporting the impact of dynamic capabilities on competitive advantage, there remains a need to explore the specific mechanisms driving this relationship. Moreover, in traditional industries experiencing digital disruption, understanding digital maturity as an intermediate outcome becomes essential. This study focuses on the Palestinian financial sector and investigates the significance of digital maturity in the context of dynamic capabilities. Primary data were collected through an online questionnaire survey, and a model was estimated through a SEM-PLS methodology. The results highlight a strong relationship between dynamic capability and competitive advantage. Thus, digital maturity plays a crucial role in enhancing strategic planning efficiency through the implementation of dynamic capabilities.

Keywords: dynamic capabilities; digital maturity; digital transformation; strategic planning; competitive advantage

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1. Introduction

The Sustainable Development Goals (SDGs) are global benchmarks for progress toward a better world that promote economic growth and enhance the effectiveness and quality of essential services as nations embrace digital transformation. This includes Palestine. People, companies, and countries have never been more reliant on technology than they are now. By addressing bottlenecks in government policy, the enabling environment, and e-service adoption and utilization, the "Digital Palestine" effort seeks to expedite Palestine's digital transformation process. The purpose of sustainable economic development is to achieve many goals simultaneously. It hits its targets across three types of systems, economic, social, and biological, to satisfy present demands and protect the capacity of coming generations to meet their own needs (Abad-Segura & González-Zamar, 2021).

Several actors and stakeholders from all societal sectors must work together to pave the way for a Digital Palestine. Therefore, the Palestinian people are currently collaborating closely with partners to develop the notion of "Digital Palestine" and have been exploring many different paths for promoting this digital revolution. To facilitate a digital revolution that benefits all sectors of society, the goal involves combining the diverse efforts and experiences of the public and corporate sectors, people, civil society, and development partners. It should incorporate all industries and concentrate on the behavioral

shifts that come alongside digitization, in addition to the technology components, for all parties involved.

The majority of corporate executives have made the strategic goal of digital transformation their prime focus. To what do they owe this preoccupation? Increasingly, this question has a straightforward answer; the implementation of digital transformation has emerged as a nearly imperative set of initiatives and a primary functional area of concern for many "business-to-consumer" and "business-to-business" executives (Singh et al., 2020). The prospect of both advantages and risks is boundless. Accelerated environmental volatility, complexity, and unpredictability are a direct result of the prevalence of digital technology (Loonam et al., 2018). Even though many "digital transformation" initiatives do not succeed (Barry Libert et al., 2016) and bring the demise of more than half of the companies that attempt it, experts say digital disruption is only just beginning (Amini et al., 2018). This age of volatility has led to renewed attention to one of management's most fundamental questions. What sets distinguish successful businesses from those that fail in the midst of changing environments?

To express how well businesses can adjust to today's fast-changing world, the term "digital maturity" has recently become a prerequisite for research on digital transformation (Kane, 2019). According to Vial (2019), the strategic transformation of capabilities lets leadership grasp how digital maturity allows companies to achieve a leg up in business understanding that is a competitive advantage in today's environment demands. This is not just a different set of resources at the disposal of companies but also a fundamentally different way of rendering them valuable (Teece et al., 1997). According to Manioudis and Meramveliotakis (2022), sustainable development and digital transformation are inextricably intertwined. When organizations apply digital technologies, the result is almost always increased operational efficiency, often coupled with a surge in innovation (many would say "enabled" by digital tech). And there is more. Greater transparency (a digital byproduct) means far better accountability. Combine these developments and you have a much more sustainable organization, leading to the changed world we want to see. Organizations can navigate the complexities of contemporary problems and steer toward a sustainable future by embracing digital transformation strategies that put sustainability front and center.

The literature offers abundant factual evidence demonstrating that capabilities are essential for development and sustainability (Døving & Gooderham, 2008). This is particularly valid in the context of high-frequency market conditions (Jiao et al., 2013; Li & Liu, 2014). Despite previous research (Zhou et al., 2019) finding medium-term outcomes, a continuing interest exists regarding the multiple factors affecting firm-level capabilities (Fang & Zou, 2009; Pezeshkan et al., 2016). Countless organizations lack capital and cutting-edge technology. This shortcoming can, however, stimulate innovation, nudging businesses toward developing locally relevant solutions that are also cost-effective. For instance, Prahalad and Hart (2005) describe how some companies innovate to serve the poor while also serving their own bottom line. They allege that poor people are worth serving and make a compelling case for why we should not write them off. Typically, firms in developed nations reap the benefits of superior infrastructure, enhanced financing opportunities, and cutting-edge technologies, all of which can be used to improve and grow existing capabilities. Helfat and Peteraf (2003) describe how the availability of resources can have a powerful effect on the "dynamic capabilities" that firms develop and use. Developed and resource-limited countries differ in the ways they approach dynamic capabilities. Of course, this is a very general statement. Some big Western companies are not particularly good at being dynamic, while some small firms in developing countries have mastered the art and way of being dynamic in their market. And being dynamic is the only way to survive being resource-limited if you are not a complete minimalist. On the other hand,

companies in developed countries make better use of resources, and they have access to advanced technologies and a skilled labor force. These assets enable them to construct comprehensive dynamic capabilities. In this context, dynamic capabilities involve refining existing practices and augmenting market responsiveness. Therefore, dynamic capabilities are being developed rapidly in Palestine's financial sector. However, this development is happening in an essentially underdeveloped context. Thus, at present, the financial inclusion that dynamic capabilities can provide is meaningful. But their impact can potentially be much larger because of their power to drive efficiency, attract investment, promote innovation, and enable much better decisions.

One aspect that defines the current corporate environment is the emergence of digital technologies. Looking at effective digital transformation, the successful aspects of digital change in the successful parts of your organization, and the agile capabilities that are necessary for survival during a digital upheaval probably leads to the clearer conception of this process. This is in part because digital transformation means surviving a radical swing in how upheaval affects the way a company conducts business and serves its customers. A company with digital maturity can successfully execute digital transformation. Built into this framework is an understanding of the dynamics of capability. For a company to achieve digital maturity, it must have some of the intermediate outcomes of a digital transformation. And yet, despite its great academic and managerial significance, there has been little scholarly focus on the digital maturity scaffold in the framework of the service sector experiencing disruption, with most research concentrating on traditional industries. Countless organizations lack capital and cutting-edge technology. Dynamic capabilities are strategic options to renew operational capabilities in uncertain environments, they enable firms to gain a competitive edge by sensing and seizing changes and opportunities, an early finding from our work is that dynamic capabilities enhance customer demand responsiveness and operational flexibility (He et al., 2023). Both "dynamic capabilities" and "digital maturity" significantly influence "competitive advantage" in a favorable direction. We found that digital maturity significantly influences how much effect dynamic capabilities have on competitive advantage. In another sense, we also found that digital maturity significantly influences how much digital dynamics and their impact on the industry context can degrade the performance of dynamic capabilities. This shortcoming can, however, stimulate innovation, nudging businesses toward developing locally relevant solutions that are also cost-effective. For instance, Prahalad and Hart (2005), describes how some companies innovate to serve the poor while also serving their own bottom line. He alleges that poor people are worth serving and makes a compelling case for why we shouldn't write them off. Typically, firms in developed nations reap the benefits of superior infrastructure, enhanced financing opportunities, and cutting-edge technologies, all of which can be used to improve and grow existing capabilities. Helfat and Peteraf (2003) describe how the availability of resources can have a powerful action on the "dynamic capabilities" that firms develop, use. The developed and resource-limited countries differ in their ways of approaching dynamic capabilities. Of course, this is a very general statement. Some big Western companies are not particularly good at being dynamic, while some small firms in developing countries have mastered the art and way of being dynamic in their market. And being dynamic is the only way to survive being resource-limited if you are not a complete minimalist. On the other hand, companies in developed countries make better use of resources, and they have access to advanced technologies and a skilled labor force. These assets enable them to construct comprehensive dynamic capabilities. In this context, dynamic capabilities are focused on refining existing practices and augmenting market responsiveness. Therefore, dynamic capabilities are being developed rapidly in Palestine's financial sector. Yet, this development is happening in an essentially underdeveloped

context. Thus, at present, the financial inclusion that dynamic capabilities can provide is meaningful. But their impact can potentially be much larger because of their power to drive efficiency, attract investment, promote innovation, and enable much better decisions.

This study aims to delve into and dissect a research scenario that is specifically applicable to the Palestinian financial sector. This research employs an empirical design based on surveys to explore the following research question: Why is digital maturity significant for establishing a linkage with dynamic capabilities, competitive advantage, and the financial sector? These questions are what this investigation into the matter seeks to resolve, contributing to the current body of work regarding digital transformation and dynamic capabilities; moreover, our work offers important insights to managers in financial services. We endeavor to furnish these insights to help industry leaders understand and navigate the linkage among digital maturity, dynamic capabilities, and competitive advantage within their organizations.

2. Theoretical Framework

In line with Teece et al. (1997), "a company's can be outlined with dynamic capability as its capacity to efficiently combine, augment, and mold internal and external proficiencies to react to swiftly evolving situations". Seen through the lens of path dependence and market positioning, dynamic capabilities suggest an organization may be able to develop a new sort of competitive edge (Barreto, 2010). The idea of dynamic capabilities has been used to evaluate firms working in various sectors (Neill et al., 2007; Teece et al., 1997) and firms' attempts to internationalize (Wang & Ahmed, 2007); further research has examined its applicability to industry associations. This study aims to answer some important questions arising from information deficiencies. How do different stakeholders in an industry view strategic plans for the industry's future? Is it possible for theoretical principles to use dynamic capabilities to manage the growth of a sustainable industrial structure? We believe that developing a dynamic picture of an industrial organization can increase the possibility of creating a valuable theoretical foundation that can assist practitioners in building long-term industrial organizations. The view that is based on resources is most often acknowledged as the most salient explanatory framework for understanding the origins of firms' competitive advantage. Understanding the dynamic capability perspective, which concentrates on how context factors influence what a firm does and how it achieves its objectives, may lead one to see it as representing a more valid, if not more powerful, explanatory construct for what determines a firm's fortunes a more flexible and less stringent variant of the resource-based model, as it introduces more leeway in the rationality and balance assumptions (Schilke et al., 2018) based on evolutionary principles of economics (Helfat & Winter, 2011). Its main focus is on how routine and operational capabilities (including dynamic ones) are governed by high-level routine processes (such as alliance, product and process innovation, and strategic planning) to create and transform organizational assets. This perspective began to challenge the dynamics of strategy but focused primarily on the content of strategy and avoided examining the specific processes and activities that generate capabilities, focusing instead on how they are used and exploited at the organizational level. To understand the origin, development, and underlying social (and potentially causal) processes and mechanisms of anything, organizational-level capabilities must be linked to activities and interactions at both personal and collective levels. This is essential to any analysis of the dynamics of strategy.

There are some common characteristics between digital transformation methods. The shared characteristics can be classified into four groups as follows: technological implementation, value-delivery alterations, structural modifications, and financial matters. A company's technological mindset directly influences how successfully it incorporates new

technologies as well as how they use them in everyday operations. Essentially, it details the strategic value of IT to the business and the company's technological aspirations for the future. A company must decide whether it aims to become a market leader by using advanced technologies and setting whether it is establishing its own technological standards or relying on established ones. The consortium plays a critical part in judging compliance and overseeing the adoption of these standards with regard to relying on existing standards and viewing technology as a tool that supports business operations. Although being at the forefront of technology can make a company more competitive, allowing the company to set standards that others follow, it can also expose the company to risks, and it requires specialized knowledge and skills that not all companies possess. In the business world, adopting new technologies usually involves adjusting the ways in which value is created. These difficulties come from shifting new digital undertakings away from the long-established, often still analog, core of the company, because of the digital transformation efforts. While diversifying into new areas can broaden and deepen an organization's product and service portfolio, it often requires acquiring new skills and taking additional risks due to insufficient familiarity with this new area. The theory of practice turns in society provides the foundation for the strategy-as-practice approach (Loonam et al., 2018). It emphasizes the everyday actions of people at different organizational levels (Loonam et al., 2018) as it views strategy as something that people and companies do rather than have (Zúñiga-Vicente & Vicente-Lorente, 2006). This approach now offers a broad perspective to analyze many of the phenomena involved in strategy formulation. Rather than focusing specifically on the dynamics of strategy, it provides an analysis of its construction. The service sector is characterized by intangibility, heterogeneity, and perishability. As Prahalad and Hart (2005) indicate, we can find that service industries thrive in co-creating value with customers. Here, customer interactions are crucial. And the sector's need for customization and responsiveness drives it to develop dynamic capabilities that are essential for success. To meet this need, companies must develop something called customer relationship management, or CRM for short. This is a pretty straightforward concept, really. It is about understanding your customers and developing a plan for maintaining a positive relationship with them over the term of your venture. Delivering real-time customer service is another "capability" that is necessary for the sector. In contrast, the manufacturing sector is more concerned with producing tangible things. But even here, we find something interesting. In accordance with De Carolis et al. (2017), the dynamic capabilities of firms in manufacturing are not just about efficiency, scalability, or maintaining quality control. They are also about making technological innovations and optimizing what is called the supply chain.

2.1. Achieving Digital Maturity by Attaining Dynamic Capabilities

Several definitions exist for the notion of dynamic capabilities, some of which relate to skills or abilities and processes or results. According to Barreto (2010), "Dynamic power can be defined as the ability of an organization to prevent actions and solve problems effectively and systematically". These methods are described to allow the organization to identify and test opportunities so that we can identify and mitigate risks. In addition, it is possible to use the company's ability to make decisions about opportunities in the market, as well as its ability to adapt as needed in future operations. According to Kraatz and Zajac (2001), dynamic capabilities can be considered multidimensional. The four-way interaction or interaction between that facilitates and creates opportunities for the trading center, and it is the driving force behind the dynamics of the market. What is being presented here is a concept. The term "formed word" very adequately specifies and shows the relationships between the integrated construct and a four-dimensional construct. Indeed, this is complex

(Kraatz & Zajac, 2001; Westerman & Mcafee, 2012). Instead of being a wide-ranging concept articulated across several dimensions, like the latent or superordinate construct, this specific construct consists of four clear-cut dimensions.

The focus of our study goes beyond the typical variances and covariances that are present across all dimensions, such as those found in the latent construct. We also examine variances unique to specific dimensions, as well as covariances that are unique to certain dimensions (Westerman & Mcafee, 2012). Therefore, it can be concluded that this construct cannot be adequately represented by a single dimension. Previous research on dynamic capabilities has shown the benefits of considering all dimensions. Therefore, it is recommended to also do so in this framework. For example, the effectiveness of resource transfer is affected by the decision-making process of an organization (Tallon & Carroll, 2007). Similarly, decision making plays a role when an organization identifies opportunities and threats (Gill & Vanboskirk, 2016). Moreover, the impact of restructuring may be even greater when combined with business decision making (Schumacher & Sihn, n.d.). Furthermore, it is essential to point out that the four factors considered represent different components of a construct that, when combined, form a single factor (Kraatz & Zajac, 2001). It is important to emphasize that, unlike the latent case, this conceptualization does not set any conditions for the relationship between the different measurement variables. In fact, some factors show strong or moderate correlations (Westerman & Mcafee, 2012). For example, according to Neill et al. (2007), agile organizations are able to make decisions quickly and adapt accordingly. Multiple components of an organization's capabilities, such as technical capabilities, digital platform capabilities, and technological innovation, are the subject of a review by Protogerou et al. (2012). In many other investigations, the part played by the modifying agents in digital transformation processes has been elucidated with greater clarity. Warner and Wäger (2019) investigated organizations' need to develop a capability framework for their efficient digital transformation. A study by Matarazzo et al. (2021) exposed how digital tools can unlock new potential for businesses. The effective use of these tools was identified as being integral to the creation of value for customers. Soluk and Kammerlander (2021) carried out a study on the part played by various resource requirements at various points in the digital transformation process, with a focus on how these apply to SMEs. According to Telukdarie et al. (2022), focusing on the challenges of adopting SME digital transformation boils down to the following: It is the lack of money that keeps SMEs from receiving the right kind of IT help and the digital tools they need, as SMEs trail in digital transformation and the development of expertise, the gaps in digitalization stemming from critical digital infrastructure, skills, and with financial deficiencies hampering our efforts toward digitalization. Being unaware of the advantages and inclusion of digital technologies creates problems, and SME digital strategies are impacted by a lack of trust in online platforms and the risk of dependency on them. "Small and medium-sized enterprises" (SMEs) can close the demand–supply gap in e-commerce through digital marketing. Compared to larger firms, SMEs find it more difficult to attract skilled employees, and training that is tailored to specific needs is expensive and hard to implement in small companies.

This methodology can therefore provide insights into the importance of imagination in a dynamic framework. Consequently, mature companies have a decisive competitive advantage, and this confirms the first, second, third, and fourth hypotheses.

Hypothesis 1. *Digital maturity is positively influenced by the dynamic capability of sensing opportunities and threats of a firm.*

Hypothesis 2. *Digital maturity is positively influenced by the dynamic capability of the propensity to make timely decisions of a firm.*

Hypothesis 3. *Digital maturity is positively influenced by the dynamic capability of the propensity to make market-oriented decisions of a firm.*

Hypothesis 4. *Digital maturity is positively influenced by the dynamic capability of the propensity to change the resource base of a firm.*

2.2. Achieving Strategic Planning and Competitive Advantages by Attaining Digital Maturity

Digital transformation denotes a comprehensive technological adjustment in an organization; using digital technologies to enhance current operations can lead to improved efficiencies and results. However, this basic application of digital tools pales in comparison to what some organizations are attempting, as they use digital innovations to explore fundamentally new ways of conducting business. In this endeavor, digital experimentation holds great promise. The process of digital development is the blending of digital technologies with physical components, resulting in meaningful new digital products (Berghaus & Back, 2016). The digital transformation process impacts multiple aspects of a company's operations simultaneously, involving multiple stakeholders responsible for the development of a transformation plan. Departments like marketing, IT, strategy for the development of a product, and HR may be involved. It is very important for all these groups to reach a shared mindset about what needs to be achieved first and what can wait regarding digital transformation. Moreover, the digital transformation phenomenon affects various industries in different ways. Regarding the digital world era, organizations that concentrate on customers and follow a business-to-consumer approach are typically affected sooner and experience a greater organizational impact than individual entities that follow a business-to-business approach. The increasing significance of digital technology for business is now requiring the IT function to mimic these developments and to aim for strategies that enable the integration of IT into business. Indeed, IT has to make the transition from a supply side to an outcome side perspective that delivers the kinds of payoffs promised from the unification of information technology and commerce (Song et al., 2011). In line with Matt et al. (2015), strategies of alignment aim to unify and merge business and IT strategies. Conversely, the strategy for digital transformation requires thinking ahead, undertaking a great deal of planning, committing both emotionally and financially to change, and executing the organizational change process to achieve competitive advantage. The process of transforming an organization strategically necessitates defining a vision that is clear and concise; the development of plans that are both strategic and tactical; and the execution of those plans (Song et al., 2011). Despite the importance that many professionals attach to digital transformation, many decision makers find it difficult to develop a viable strategy. In numerous industries, managers must delineate the action fields for the "transformation roadmap". They need to prioritize various different tasks and come up with a strategic vision that is suitable for the digital age. Given the organizational transformation of the last few decades, a huge proportion of the world's population has been expressing a substantially increased interest in the digital era, with many people wholly embracing it (Berghaus & Back, 2016). It has allowed businesses to leverage emerging applications and incorporate digital technologies into their operational workflows (Matt et al., 2015). The notion of being digitally mature was introduced in a recent academic paper (Svahn et al., n.d.), and (Yi et al., 2023) to define the ability to effectively cope with digital disruptions. The digital maturity of an organization entails ensuring that the components of that organization work together toward a common purpose, in line with the demands of a rapidly evolving digital environment. The idea is grounded in the psychological notion of "maturity", which refers to the developed skill of adjusting and effectively interacting with the environment. The newly proposed digital transformation model for consulting firms includes the implementation of new innovative technology solutions, which serve

as the basic building blocks of that transformation. However, the key to consulting firms' new digital model is alignment. The consultants assert that the basic components of a firm's strategy, culture, structure, and procedures should work in unison to meet the digital needs of a firm's various constituents, both internal (like employees) and external (like customers). Thus, companies that have achieved a high level of maturity demonstrate important strategic planning capabilities and competitive advantages, confirming the fifth and sixth hypotheses.

Hypothesis 5. *Digital maturity is positively influenced by the strategic planning of a firm.*

Hypothesis 6. *Digital maturity is positively influenced by the competitive advantages of a firm.*

2.3. The Mediating Degree of Digital Maturity in Achieving Effective Strategic Planning Through Dynamic Capabilities

Digital strategy is characterized by a "joint vision" that aligns both the information systems (IS) strategy and the business plan. As asserted by Bharadwaj et al. (2013), the traditional division between business strategy and information systems (IS) strategy can become murky. As highlighted by Yeow (2019), the concept of digital strategy includes business-focused elements as well as technology-inspired elements. This distinguishes it from the organizational perspective of information systems (IS) strategy, which focuses on IS investment, implementation, use, and management, as discussed by Fitzgerald et al. (2013). The idea of a digital (business) strategy refers to an organizational strategy that uses digital tools to create a certain kind of value (Bharadwaj et al., 2013). The "Digital Transformation Strategy (DTS)" has set forth a set of objectives that serve as a beacon for the organization, and these objectives light the way towards a fully realized digital future, as they provide not just information but also inspiration for the task of creating a coherent and comprehensive digital strategy for the enterprise (Matt et al., 2015). It is certainly fundamental to point out that DTS, as such, does not supersede any previous techniques; you will have to integrate them. In the modern era, characterized by an increasing dependence on digital technologies, even organizations operating primarily in physical sectors do not begin their digital transformation efforts from a state of complete non-existence or insignificance. However, many companies are now exploring strategies that leverage digital information through the implementation of interactive websites, improved customer service, and enhanced consumer experience. They are also building critical operational capabilities such as online platforms and digital systems for tracking supply chain activities. From this perspective, the methodology of a corporation's strategy towards transformation can be elucidated. Strategic planning involves a systematic procedure used to devise a strategy and decide how to distribute the resources required to carry it out, with the ultimate goal of achieving the organization's objectives. The procedural aspects mainly direct the creation, application, and assessment of plans for digital transformation strategies. However, because of its innovative nature, it is important to initially identify specific content elements to be included in digital transformation strategies. The following four core components and the resulting overall framework were derived from preliminary research that included an analysis of the relevant literature.

To engage in effective strategic planning and to fully grasp the present state of affairs, companies must develop an all-encompassing understanding of the kind of forces that affect it. This requires active participation and the use of the interpretive skills of various organizational members. The use of the term "capabilities" by Teece et al. (1997) concentrates on the strategic value of management.

Consistent with this perspective, many fruitful lines of academic research have probed the basic dynamic capabilities and the competitive advantage relationship. In these lines of

research, scholars have gone beyond examining the direct impact of how fast a company can train its capabilities compared to its rivals and the competitive edge this creates. They also have examined a set of additional outcomes that provide more insights into the fundamental causal process that underlies the overall dynamic capabilities and the competitive advantage relationship. Veering into unrelated areas (Drnevich & Kriauciunas, 2011), neighboring fields (Døving & Gooderham, 2008), the capabilities of digital platforms (Karimi & Walter, 2015), innovation in technology and the market (Zhou et al., 2019), and entrepreneurship (Protogerou et al., 2012) are examples of this type of spillover effects. According to the empirical study of Schilke et al. (2018), there are a great many things that affect how far performance is influenced by dynamic capabilities through the mechanism of adjusting available resources. Consequently, it is more likely that competitive advantage will be affected positively and indirectly by dynamic capabilities via the digital maturity route (hypothesis seven).

Hypothesis 7a. *The relationship between dynamic capability dimensions and strategic planning is influenced by the mediation degree of "digital maturity".*

Hypothesis 7b. *The relationship between dynamic capability dimensions and competitive advantages is influenced by the mediation degree of "digital maturity".*

The complete model together with all proposed hypotheses is depicted in Figure 1 below.

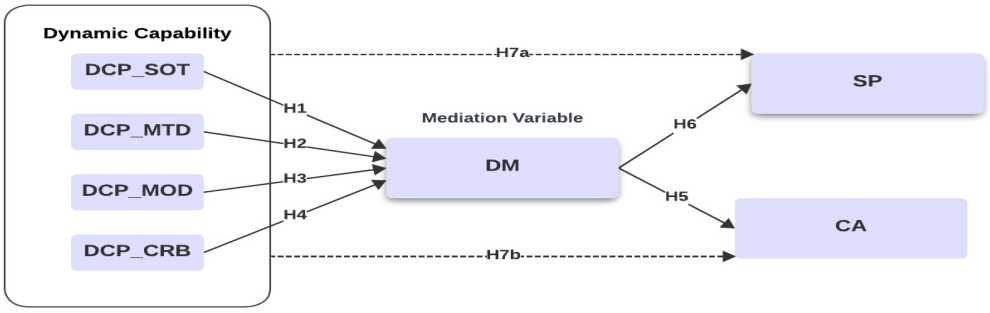

Figure 1. Study of the theoretical model. Note: **DCP_SOT**: "Dynamic Capability Propensity to Sense Opportunities and Threats"; **DCP_MTD**: "Dynamic Capability Propensity to Make Timely Decisions"; **DCP_MOD**: "Dynamic Capability Propensity to Make Market-Oriented Decisions"; **DCP_CRB**: "Dynamic Capability Propensity to Change the Resource Base"; **DM**: "Digital Maturity"; **SP**: "Strategic Planning"; **CA**: "Competitive Advantages".

3. Materials and Methods

This study gathered data using an online questionnaire. It is a reasonable assumption that the self-reported data obtained from the CEOs, senior managers, and the other employees of the organizations are reliable and free from the common methodological errors. To begin with, the study captures a level of service dynamic potential that can only be obtained through self-assessment. This information is not available from any other source. The second aspect is that the dependent variable called "competitive advantage" needs to have relative performance data available. These data can be either financial or non-financial. However, it is essential that the data convey how one firm performs in relation to another, rather than just how one firm performs in absolute terms. Only the CEOs or senior managers, along with all employees in the company, can provide us with these essential figures. To assess the constituent elements of the concepts, we compiled a first list of items derived from an all-encompassing evaluation of the scientific body of work and previously existing measurement instruments (see Section Measurements of Variables). To assess the measurement items, this study conducted interviews with

several people with expertise in the relevant fields. The group consisted of the following three participants: an individual with expertise in information technology who works in the Palestinian financial sector; the chief executive officer of a Palestinian consulting firm that focuses on digital transformation projects; and a Palestinian academic authority on the framework of dynamic capabilities. The study's authors consulted two experts in strategic management and digital transformation before deciding how to conduct the pre-test. In addition, the study also sought the opinion of four executives from companies in the Palestinian financial sector. The assessment team's job could be boiled down to the following three main tasks; they had to determine whether the updated measurement items were necessary, sufficient, and clear. Where necessary, changes were made to the wording and number of items. This study examines the correlations between the items and the total to improve the accuracy of the measurements. In the measurement and assessment items and construct table, one can find a comprehensive overview of the questions that the survey contained. To ensure the clear understanding of the firms under investigation and to enhance the quality of the collected data, it is suggested that the individuals completing the surveys either be at the helm of their respective companies as chief executive officers or be senior managers and employees of the financial sector, with an industry tenure of at least two years in the same company. Participants were recruited through direct interactions with 18 representatives. Overall, the Palestinian financial sector has its work cut out for it. Moreover, 14 chief executive officers (CEOs) from the Palestinian financial sector were randomly selected. A firm's internal corporate governance system includes an essential component, the board of directors. Its responsibility, above all, is to provide "the main directions of financing and investment, monitoring, management. . ." and to guarantee the fiscal fitness of the institution with regard to the financial sector's makeup (Uyar et al., 2022). The factors that lead to the success of financial institutions are controlled by the board of directors, "the choice of strategy; the assessment of risk-taking; and the assurance that the necessary talent is in place, starting with the Chief Executive Officer, to implement the agreed-upon strategy." (Uyar et al., 2022). These executives were contacted individually, as we reached out to them through email and asked if they would take part in an online survey. The invitation process lasted two weeks. When conducting the online survey, we instructed participants to respond in a manner that truly represented their organizations. The respondents' attitudes and experiences were collected to facilitate data management.

Measurements of Variables

The level of dynamic capabilities is considered an independent variable in this study, while competitive advantage is regarded as a dependent variable. It is hypothesized that the degree of digital maturity acts as a mediator because it is an intermediate outcome of dynamic capabilities.

Participants were instructed to provide their responses across the given domains. We employed a 7-point Likert scale. The scale went from 1, meaning "strongly disagree", to 7, meaning "strongly agree". Additionally, participants had the option to select "Neither disagree nor disagree" as an alternative option.

As conceptualized by Barreto (2010), the dynamic capability construct was assessed at the measurement level using multiple items. These items were used to assess four different dimensions, which were then combined to create an integrated construct. According to Barreto (2010), the measurement of dimensional constructs can be achieved using survey data, allowing for the direct assessment of the dispositions in question. We use self-reported survey data to quantify the specific dynamic capabilities of firms and thus develop a measure of the dynamic capabilities of a firm, as per Barreto (2010), who uses the term "propensity" to refer to dynamic capability dimensions that refer to the typical way of

conducting things in an organizational context. Therefore, it is critical that organizational measurement items are not limited to time or environment, but rather focus on the typical characteristics and behaviors exhibited by the firm. This research employs the notion of "propensity" to take a closer look at the wording of survey items. When survey designers use the term "usually", it suggests a non-exclusive commitment to the behavior in question. And yet, nearly half of the items in the surveys we analyzed contain this term.

In addition to the use of established scales (Janssen et al., 2015; Li & Liu, 2014), A primarily modified ensemble of objects was created, largely grounded in the foundational work of Barreto (2010), Lin and Wu (2014), and Schreyögg and Kliesch-Eberl (2007). The items included in the assessment of dynamic capabilities, which were derived from pre-existing scales, were contextualized accordingly. In this research, we define the thought of dynamic capabilities as a composite, a complex combination of the latent variable of Barreto (2010). Consequently, the scores for the different dimensions are computed independently of one another. This is achieved by taking an arithmetic mean, which refers to the average of the scores assigned to the items coded within the corresponding dimension. Since the overall construct consists of four dimensions, it is clear that no single dimension can fully encapsulate the construct in its entirety. Therefore, this study puts forth the hypothesis that the association among the constituent dimensions is better represented by a non-linear, multiplicative function than by an additional one. A function that operates by multiplication reflects the interconnectedness and interdependence of the factors discussed in this study's theoretical framework following Barreto (2010). Consequently, the subsequent action is to calculate the geometric mean of the scores from the dimensions. This score should represent the overall level of dynamic capabilities. Furthermore, digital maturity is conceptualized as a comprehensive and multifaceted term that is most effectively measured by using multiple items spanning the various dimensions of the construct. One of the advantages of this approach is that it ensures higher measurement accuracy and greater variability. The predominant structure employed to put forward measurement items is drawn from the digital maturity model for the financial services sector proposed by Valdez-De-Leon (2016), and a comprehensive mode of digital maturity assembled by Rossmann and Reutlingen (2018). This research categorizes the digital maturity of the financial sector into five dimensions as follows: "strategy", "culture", "processes", "technology", and "business models". Maturity questions are mostly derived from the statements of Valdez-De-Leon (2016). The text has been rephrased to apply more directly to our research context and to alter some wordings. Calculating the level of digital maturity involves the use of a multidimensional construct. This construct includes interrelated dimensions, each of which is insufficient on its own to fully represent the entire construct. The implementation of digital business models is made easier when cultural factors are favorable. Conversely, when technology is effectively used, it is primarily because processes are well defined and the work that technology does is clearly planned. The geometric mean of the scores obtained in each dimension is used to determine the level of digital maturity. Subjective indicators are often used in strategy-related research to assess competitive advantage. We utilized the path coefficient multi-group analysis MGA for experiences observed in Table 1. When the p-value for the group is less than 10 and more than 20, it indicates significant digital maturity due to competitive advantage and strategic planning ($p = 0.000$); moreover, the p-value from the dynamic capability dimensions DCP_CRB, DCP_MOD, and DCP_MTD to digital maturity was found to be significant ($p = 0.000$), while for DCP_SOT, it was not significant ($p = 0.131$).

Table 1. Descriptive Analysis.

POSITION	Frequency	Percentage
Assistant/Associate Manager or Director	14	78
Staff	72	40
Others	13	7.2
Manager or Director	27	15
Supervisor	54	30
Total	180	100
EXPERIENCE	Frequency	Percentage
≤10	49	27.2
≥20	62	34.4
11–19	69	38.4
Total	180	100
EDUCATION	Frequency	Percentage
Bachelor	83	46.1
Master	74	41.1
PhD	23	12.8
Total	180	100
GENDER	Frequency	Percentage
Female	80	44.5
Male	100	55.5
Total	180	100
AGE	Frequency	Percentage
≤29	30	16.7
≥50	18	10
30–39	98	54.4
40–49	34	18.9
Total	180	100

4. Results

We employed the method of "partial least squares structural equation modeling (PLS-SEM)" to analyze our data. "PLS-SEM" is a set of variance-based techniques within the broader field of structural equation modeling (SEM) (Chatterji et al., 2008). The method's advantages in estimating complex models with multiple items, indicator variables, and constructs in the absence of standardization have been appealing to behavioral researchers (Sarstedt et al., 2021). Sarstedt et al. (2021) define "PLS-SEM" as a type of "structural equation modeling (SEM) that emphasizes the assumptions and explanations of phenomena in statistics". A scientific review by Sarstedt et al. (2021) included PLS-SEM (difference-based) and CB-SEM (class-based) comparisons. The results show that CB-SEM captures the common variance when estimating model parameters, whereas PLS-SEM captures all the variance when estimatingtion. Considering the support this technique has garnered in the literature, we opted for "partial least squares structural equation modeling (PLS-SEM)" as

our main analysis tool because it is a more fitting choice for our study when compared to some other suitable options. We carried out the analysis in SmartPLS 4 software.

4.1. Model Measurement Assessment

Our data first undergoes a validation process, during which we check the construct and its components for strengths and weaknesses. This was followed by the criteria needed to ensure compliance with the existing literature (Sarstedt et al., 2021). Table 2 shows the internal consistency of our model, which shows good internal consistency (above 0.70), in accordance with previous studies (Hair et al., 2017). Consequently, according to the model, "composite reliability" (CR) is less than 0.7 in the across-item condition (Dijkstra & Henseler, 2015). This low sensitivity is evidence of the accuracy of our model. In addition, the factor loadings in our model had an "average variance extracted" (AVE) above the expected factor level of 0.5 (Sarstedt et al., 2021). This suggests that our constructs are highly convergent in their ability to explain the various properties of the variables, meaning that the constructs are more convergent. Accordingly, the garden in our model components represented more than 50% of the variance in the variables we selected. After assessing convergent validity, a child analysis was conducted to determine the differences between the constructs. We used the "Fornell–Larcker criterion" (Fornell & Larcker, 1981) and the recently created the "Heterotrait-monotrait heterotype–monotype test (HTMT)" for the analysis (Dijkstra & Henseler, 2015). The results of our analysis, as shown in Table 3, indicate that all values are below 0.90. The calculations are based on the Fornell–Larcker criterion along with the wet lime model, which yield values that suggest sufficient divergent validity among the constructs. Looking closely at Table 4, we can see that the correlation values for the chosen variables and their square root transformations are not as high as those we obtained with the independent variables. Thus, it can be argued that only one variable explains something else. Given the data obtained using the Fornell–Larcker model (Dijkstra & Henseler, 2015), a method for testing the construct validity of the HTMT was developed. Dijkstra and Henseler (2015) stated that an HTMT value significantly below 0.90 is an appropriate threshold for ensuring construct validity. In order to minimize the correlations between components, Sarstedt et al. (2021) proposed the existence of a "spatial inflation factor" for the components. The study found that an increase in the dispersion inflation factor (VIF) from 1 to 5 indicates poor collinearity. Table 2 shows that our model is not collinear, and this is confirmed by Figure 2.

Table 2. Measurement assessment of items and constructs.

Construct	Source	Statement	Indicator	Loadings	CR	AVE	VIF
"Dynamic Capability Propensity"	Li and Liu (2014)	"Usually, we can perceive environmental change before competitors."	DCP_SOT_1	Within multicollinearity, this variable is eliminated			
	Li and Liu (2014)	"We continuously scan our and our competitor's capabilities."	DCP_SOT_2	0.740			1.778
	Li and Liu (2014)	"Usually, we can feel the major potential opportunities and threats to our organization."	DCP_SOT_3	0.907			3.221
	Li and Liu (2014)	"Usually, we can fully understand the impact of internal and external environment."	DCP_SOT_4	0.890	0.907	0.754	4.339
	Li and Liu (2014)	"Usually, we have good observation and judgment abilities regarding market dynamics and best practices."	DCP_SOT_5	0.873			3.038
	Li and Liu (2014)	"Usually, good cooperation exists among different functions in our organization."	DCP_CRB1	0.831			2.601
	Li and Liu (2014)	"Usually, the procedure of creating new resources is clear."	DCP_CRB2	0.896			4.276
	Li and Liu (2014)	"Usually, the procedure of extending our resources is clear."	DCP_CRB3	0.888	0.897	0.764	3.817
	Li and Liu (2014)	"Usually, the procedure of reconfiguring our resources is clear."	DCP_CRB4	0.874			3.216
	Li and Liu (2014)	"We systematically analyze the needs of our customers."	DCP_CRB5	0.879			3.359
	Li and Liu (2014)	"Usually, we can quickly deal with conflicts in the strategic decision-making process."	DCP_MTD1	0.876			4.307

Table 2. *Cont.*

Construct	Source	Statement	Indicator	Loadings	CR	AVE	VIF
	Li and Liu (2014)	"Under many circumstances, we can make timely decisions to deal with strategic problems."	DCP_MTD2	0.902			4.914
	Li and Liu (2014)	"Usually, we can remedy quickly to unsatisfactory customers, malfunctions or service requests."	DCP_MTD3	0.888	0.907	0.754	4.038
	Li and Liu (2014)	"Usually, we can reconfigure resources in time to address environmental change."	DCP_MTD4	0.901			4.831
	Li and Liu (2014)	"Usually, our strategic changes can be efficiently carried out."	DCP_MTD5	0.741			1.570
	Li and Liu (2014)	"Usually, we analyze the actual use of our services and products."	DCP_MOD1	0.831			2.053
	Li and Liu (2014)	"Usually, our organization is strong in distinguishing different groups of users and market segments."	DCP_MOD2	0.883	0.898	0.761	2.672
	Li and Liu (2014)	"We change our practices when customer feedback gives us a reason to change."	DCP_MOD3	0.907			3.212
	Li and Liu (2014)	"Usually, we have meetings to discuss the market demand on a regular basis."	DCP_MOD4	0.868			2.519
	Li and Liu (2014)	"Digital-specific IT architecture supports our business agility through flexible tools and supporting processes."	DM_P1	0.845			4.571
	Li and Liu (2014)	"Third-party services are being integrated and supported by our digital enterprise IT architecture and related tools."	DM_P2	0.835			4.848
	Li and Liu (2014)	"The degree of automation in mass processes (e.g., invoicing, B2B-procurement processes, settlement with other market communication members) is high."	DM_P3	0.852			4.734
	Li and Liu (2014)	"In our organization we have fully analyzed processes regarding their digitization possibilities."	DM_P4	0.803			4.722
	Li and Liu (2014)	"Our technical infrastructure is suitable for digital innovations."	DM_P5	0.742			4.431
	Li and Liu (2014)	"In our organization we have already analyzed individual new technologies (e.g., cloud-computing, big data, mobile computing, blockchain) regarding their application possibilities."	DM_T1	0.784			3.726

Table 2. *Cont.*

Construct	Source	Statement	Indicator	Loadings	CR	AVE	VIF
"Digital Maturity"	Li and Liu (2014)	"Collaboration with other ecosystem partners regarding the use of new technologies and digital transformation is well established in our organization."	DM_T2	0.853			4.199
	Li and Liu (2014)	"Analytics technologies are being used for optimization of services and processes."	DM_T3	0.829			4.386
	Li and Liu (2014)	"Pilots are constantly conducted to test new digital tools and platforms in our organization."	DM_T4	0.817	0.901	0.653	3.684
	Li and Liu (2014)	"We regularly use advanced technology to analyze market dynamics."	DM_T5	Within multicollinearity, this variable is eliminated			
	Li and Liu (2014)	"In our organization we have a comprehensive, cross-sectoral digitization strategy."	DM_S1	0.785			4.294
	Li and Liu (2014)	"A common digital strategy is shared across our organization at all levels."	DM_S2	0.726			4.581
	Li and Liu (2014)	"Our digital strategy is well developed and drives our organization's strategical direction."	DM_S3	0.813			4.677
	Li and Liu (2014)	"Our digital strategy has for some time been driving management and investment decisions."	DM_S4	0.823			4.125
	Li and Liu (2014)	"Digital initiatives have been implemented across our organization, including cross-departmental projects."	DM_S5	0.836			4.910
	Li and Liu (2014)	"In our organization we regularly held meetings in which the digitization state is recorded and controlled."	DM_C1	0.733			2.745
	Li and Liu (2014)	"The interest of our employees/my colleagues to actively shape the digitization of our organization is high."	DM_C2	0.792			3.652
	Li and Liu (2014)	"Management is continuously communicating the digital strategy and advances in its implementation across the whole organization."	DM_C3	0.824			4.362
	Li and Liu (2014)	"Our digital strategy has for some time been driving management and investment decisions."	DM_C4	0.824			4.069
	Li and Liu (2014)	"Our organization is flexible and adapts to changes in the market in an agile way."	DM_C5	0.821			4.112

Table 2. *Cont.*

Construct	Source	Statement	Indicator	Loadings	CR	AVE	VIF
"Strategic Planning"	Song et al. (2011)	"In our strategic business unit, our company aims and ambitions are clear and documented."	SP_1	0.900			3.562
	Song et al. (2011)	"In our strategic business unit, our company strategy has been produced using a robust approach."	SP_2	0.894			4.082
	Song et al. (2011)	"In our strategic business unit, our company strategy is regularly and formally reviewed and updated."	SP_3	0.926	0.898	0.830	4.916
	Song et al. (2011)	"In our strategic business unit, our company strategy provides the basis for the annual business plans and priorities."	SP_4	0.923			4.670
	Song et al. (2011)	"In our strategic business unit, our company strikes the right balance between short, medium- and longer-term planning."	SP_5	0.912			4.435
Competitive Advantages	Li and Liu (2014)	"Compared with our competitors, we have a higher profit margin."	CA_1	0.878			3.321
	Li and Liu (2014)	"Compared with our competitors, we have a higher revenue growth."	CA_2	0.902			4.813
	Li and Liu (2014)	"Compared with our competitors, we have lower operating costs."	CA_3	0.897	0.900	0.810	4.337
	Li and Liu (2014)	"Compared with our competitors, we have better product and service quality."	CA_4	0.867			3.153
	Li and Liu (2014)	"Compared with our competitors, we have an increasingly higher market share."	CA_5	Within multicollinearity, this variable is eliminated			
	Li and Liu (2014)	"Compared with our competitors, we have more satisfied customers."	CA_6	Within multicollinearity, this variable is eliminated			

Note: "Model fit statistics: SRMR = 0.074, Chi-square(X2) = 4818.303, NFI = 0.605. CR = Composite Reliability; AVE = Average Variance Extracted; VIF = Variance Inflation Factor. Within multicollinearity, the following variables are eliminated: DCP_SOT_1, DM_T5, CA_5, CA_6". Strongly Disagree (SD) = [i] to Strongly Agree (SA) = [VII]; DCP_SOT: "Dynamic Capability Propensity to Sense Opportunities and Threats"; DCP_MTD: " Dynamic Capability Propensity to Make Timely Decisions"; DCP_MOD: "Dynamic Capability Propensity to Make Market-Oriented Decisions"; DCP_CRB: "Dynamic Capability Propensity to Change the Resource Base"; DM_P: "Digital Maturity Processes"; DM_T: "Digital Maturity Technologies"; DM_S: "Digital Maturity Strategy"; DM_C: "Digital Maturity Culture", SP: "Strategic Planning", CA: "Competitive Advantages".

Table 3. Fornell–Larcker criterion.

	CA	DCP_CRB	DCP_MOD	DCP_MTD	DCP_SOT	DM	SP
CA	**0.900**						
DCP_CRB	0.474	**0.874**					
DCP_MOD	0.560	0.853	**0.873**				
DCP_MTD	0.537	0.596	0.641	**0.868**			
DCP_SOT	0.495	0.420	0.461	0.755	**0.868**		
DM	0.541	0.839	0.860	0.665	0.482	**0.827**	
SP	0.549	0.694	0.705	0.508	0.277	0.808	**0.901**

Note: "Diagonal values (**bold**) are the square roots of AVE". DM = "Digital Maturity"; CA = "Competitive Advantage"; SP = "Strategic Planning"; DCP = "Dynamic Capability Propensity" (**DCP_SOT:** "Dynamic Capability Propensity to Sense Opportunities and Threats"; **DCP_MTD:** "Dynamic Capability Propensity to Make Timely Decisions"; **DCP_MOD:** "Dynamic Capability Propensity to Make Market-Oriented Decisions"; **DCP_CRB:** "Dynamic Capability Propensity to Change the Resource Base").

Table 4. Heterotrait–monotrait ratio (HTMT).

	CA	DCP_CRB	DCP_MOD	DCP_MTD	DCP_SOT	DM
CA						
DCP_CRB	**0.615**					
DCP_MOD	0.512	**0.908**				
DCP_MTD	0.586	0.641	**0.890**			
DCP_SOT	0.553	0.466	0.519	**0.830**		
DM	0.568	0.879	0.707	0.70	**0.515**	
SP	0.588	0.733	0.785	0.541	0.302	**0.858**

Note: DM = "Digital Maturity"; CA = "Competitive Advantage"; SP = "Strategic Planning"; DCP = "Dynamic Capability Propensity" (**DCP_SOT:** "Dynamic Capability Propensity to Sense Opportunities and Threats"; **DCP_MTD:** "Dynamic Capability Propensity to Make Timely Decisions"; **DCP_MOD:** "Dynamic Capability Propensity to Make Market-Oriented Decisions"; **DCP_CRB:** "Dynamic Capability Propensity to Change the Resource Base").

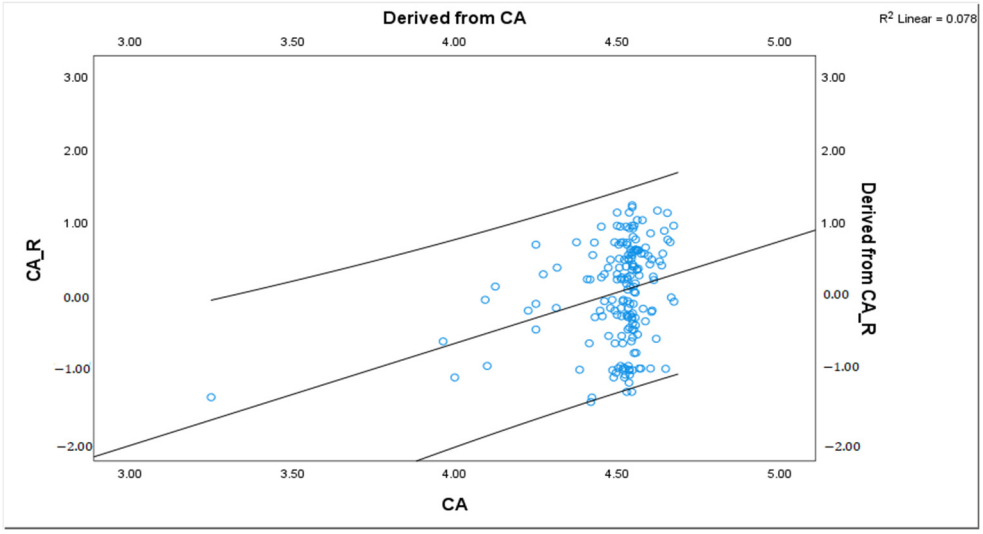

Figure 2. Scatterplot residual.

4.2. Structural Model Testing

Once the model measurements had been confirmed, we turned our attention to evaluating the structural model tests. We started by artificially inflating the dataset to 5000 cases. Then, we employed a bootstrapping method to estimate the path coefficients' statistical

significance (Hair et al., 2017). A value reflecting the goodness of model compatibility equivalent to 0.070 indicates that our model fits excellently. The result coincides with the recommendation of Hair et al. (2017), who proposed that a threshold below 0.08 is satisfactory for a "partial least squares path model". In addition, we estimated the "normalized fit index" (NFI), as recommended by Henseler et al. (2016). These authors indicate that values near 1 suggest a well-fitting model as far as this criterion is concerned. Although our result (0.605) is very close to 1, it is important to be cautious in interpreting the NFI due to its limited use, as emphasized by Henseler et al. (2016). In order to mitigate any bias in our study, it is necessary to consider the "common method bias" and its consequences. Kock (2017) proposed that, in the context of PLS-SEM analysis, the common method bias should be considered when interpreting results. One might consider this when using VIF values, which are produced when one specifies "1" is the total number of components for the model being evaluated. The VIF keeps track of how much the variance of an individual component (in this case, an individual item) is inflated because of its linear relationship with other components (i.e., other items) in the model. The VIF values obtained from our analysis, as shown in Table 2, indicate that our model aligns with the premise that the VIF values ought to fall between 1 and 5. This indicates that the model does not contain the kinds of standard methodological bias error that often affect other models. Moreover, we also carried out an assessment to analyze how much variability in the explanation of the model's variables existed within the model. We accomplished this by employing the determination coefficient (R^2). The DCP has a variance of about 79.6% for explaining "digital maturity," as can be seen in the results represented in Figure 3. The variance in the dependent variable that the independent variable (SP) can account for is equivalent to 68.9%. In the same way, the current analysis (AC) demonstrates that the independent variable accounts for the percentage of variance in the dependent variable, known as the explained variance or coefficient of determination (DCP), which is 29.3%. In a comparable way, DM provided an explanation regarding the 68.9% value in the context of strategic planning, as shown in Figure 3. In alignment with the case made by Henseler et al. (2016), it is important to assess the significance of the path coefficient by considering the effect size (f^2). The findings presented in our study demonstrate that DCP_CRB, DCP_MOD, and DCP_MTD have a strong effect size on DM (0.171, 0.244, and 0.039, respectively). During the execution of DCP_SOT, a week effect size on DM (0.000) was observed, and our study shows that DM has a strong effect size on CA (0.413) and SP (2.167), as displayed in Table 5.

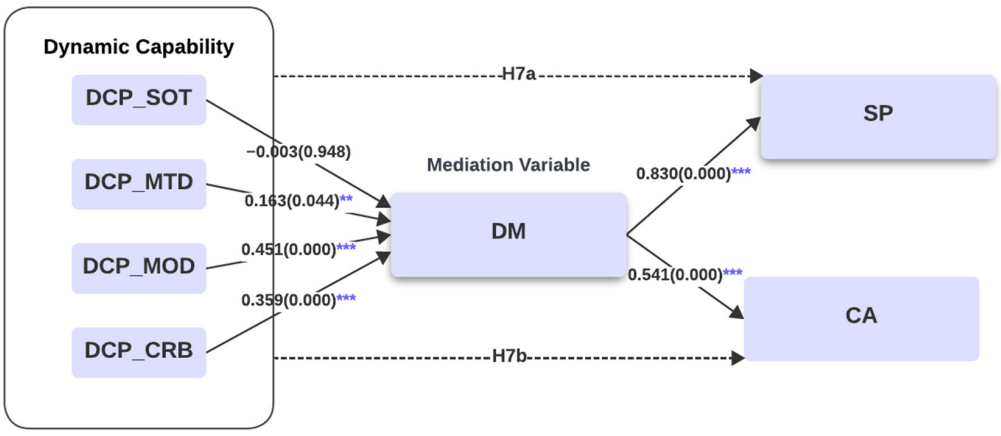

Figure 3. Testing result model (*** means statistical significance at the $p < 0.01$ level, and ** means statistical significance at the $p < 0.05$ level).

Table 5. Analysis of the effect size.

Interaction Statistical	(f^2)
DCP_CRP → DM	0.171
DCP_MOD → DM	0.244
DCP_MTD → DM	0.039
DCP_SOT → DM	0.000
DM → CA	0.413
DM → SP	2.167

Note: DM = "Digital Maturity"; CA = "Competitive Advantage"; SP = "Strategic Planning"; DCP = "Dynamic Capability Propensity" (**DCP_SOT:** "Dynamic Capability Propensity to Sense Opportunities and Threats"; **DCP_MTD:** "Dynamic Capability Propensity to Make Timely Decisions"; **DCP_MOD:** "Dynamic Capability Propensity to make Market-Oriented Decisions"; **DCP_CRB:** "Dynamic Capability Propensity to Change the Resource Base").

Eventually, to evaluate the hypotheses proposed in our research study, we performed a path analysis to ascertain whether the path coefficients were significant and meaningful. Our hypotheses are demonstrated in a clear and straightforward manner in Tables 6 and 7 and in Figure 1. The structure of the hypotheses allows the direct interpretation of the statistical significance of the results. The information given in Table 6 and displayed in Figure 3 indicates that the hypothesis relationship between DCP_SOT and DM is not corroborated by the outcomes (β = −0.003, t = 0.065); the findings of our study did not give sufficient proof regarding the null hypothesis H1 being false. Thus, we must conclude that there is no apparent, direct relationship between DCP_SOT and DM. Meanwhile, DCP_MTD, DCP_MOD, and DCP_CRB were shown to have significant direct effects on SD (β = 0.163, t = 2.014), (β = 0.451, t = 4.823), and (β = 0.359, t = 3.915), respectively, at a confidence level below 1%. Therefore, we accept the alternative hypothesis (H2, H3, and H4) and come to the conclusion that there exists a beneficial relationship between DCP_MTD, DCP_MOD, and DCP_CRB and DM. Similarly, our findings provide support for H2, H3, and H4, and this can be explained in a statistical significance sense and through the coefficients favoring the relationship between DM and CA (β = 0.541, t = 9.210) as well as DM and SP (β = 0.830, t = 24.308). Therefore, we accept the alternative hypothesis (H5 and H6) and conclude that there is a positive relationship between CA, SP, and DM.

Table 6. Hypothesis testing analysis.

Hypothesis	Interaction Statistic	β	T-Statistics	*p*-Values	Decision
H1	DCP_SOT -> DM	−0.003	0.065	0.948	NotSupported
H2	DCP_MTD -> DM	0.163	2.014	0.044	Supported
H3	DCP_MOD -> DM	0.451	4.823	0.000	Supported
H4	DCP_CRB -> DM	0.359	3.915	0.000	Supported
H5	DM -> CA	0.541	9.210	0.000	Supported
H6	DM -> SP	0.830	24.308	0.000	Supported

Note: DM = "Digital Maturity"; CA = "Competitive Advantage"; SP = "Strategic Planning"; DCP = "Dynamic Capability Propensity" (**DCP_SOT:** "Dynamic Capability Propensity to Sense Opportunities and Threats"; **DCP_MTD:** "Dynamic Capability Propensity to Make Timely Decisions"; **DCP_MOD:** "Dynamic Capability Propensity to Make Market-Oriented Decisions"; **DCP_CRB:** "Dynamic Capability Propensity to Change the Resource Base").

Table 7. Mediation testing analysis.

		Indirect Effect	β	T Statistic	*p*-Value	Decision
H7a, H7b	Dynamic Capability Dimensions	DCP_SOT -> CA	−0.002	0.066	0.948	No mediation
		DCP_SOT -> SP	−0.003	0.065	0.948	No mediation
		DCP_MTD -> CA	0.088	1.971	0.049	Partial mediation
		DCP_MTD -> SP	0.135	2.047	0.038	Partial mediation
		DCP_MOD -> CA	0.244	4.328	0.000	Mediation
		DCP_MOD -> SP	0.375	4.764	0.000	Mediation
		DCP_CRB -> CA	0.195	3.523	0.000	Mediation
		DCP_CRB -> SP	0.297	3.709	0.000	Mediation

Note: DM = "Digital Maturity"; CA = "Competitive Advantage"; SP = "Strategic Planning"; DCP = "Dynamic Capability Propensity" (**DCP_SOT:** "Dynamic Capability Propensity to Sense Opportunities and Threats"; **DCP_MTD:** "Dynamic Capability Propensity to Make Timely Decisions"; **DCP_MOD:** "Dynamic Capability Propensity to Make Market-Oriented Decisions"; **DCP_CRB:** "Dynamic Capability Propensity to Change the Resource Base").

The study also investigated some mediating effects, and the results are shown in Table 7. The results show that a mediated relationship exists between DCP_MOD, DCP_CRB, and SP and CA, with DM serving as the mediator between DCP_MOD and CA (indirect effect = 0.244, t = 4.328), DCP_MOD and SP (indirect effect = 0.375, t = 4.764), DCP_CRB and CA (indirect effect = 0.195, t = 3.523), and DCP_CRB and SP (indirect effect = 0.297, t = 3.709), supporting hypotheses H7a and H7b. The results indicate that there is partial mediation relationship between DCP_MTD and CA (indirect effect = 0.088, t = 1.971) and DCP_MTD and SP (indirect effect = 0.135, t = 2.047). The results show that there is no mediated relationship between SCP_SOT and CA (β = −0.002, t = 0.066) and SP (β = −0.003, t = 0.065), explaining H7a and H7b, as displayed in Table 7.

5. Discussion, Limitations, and Future Lines of Research

The dynamics of the digital marketplace in Palestine are nothing short of stunning. And they can fully explain the occurrence of full mediation. The study further enhances the understanding of the short-term outcomes of dynamic capabilities, outcomes that certainly merit more in-depth scrutiny in future studies. This research expands our knowledge of how dynamic capabilities impact organizational performance and places a great emphasis on the significance of digital maturity in reaching strategic planning and "competitive advantage". In this system, "dynamic capabilities" truly are a driver for the formation of useful resources and competencies together, referred to as digital assets that boost an organization's performance. We present practitioners with two important criteria that have practical implications. The first step to effectively manage external shocks and disruptive dynamics is to recognize and alter the degree of dynamic capabilities. This process serves as a fundamental basis and prerequisite for success in addressing such challenges. Additionally, as far as the intricate web of digital transformations goes, the delicate process of stage recognition and acknowledgment in digital maturity involves knowing when to shift gears. Knowing when to advance from one level to the next is vitally important for not just surviving but also thriving in a competitive landscape. If specialists want to enhance their digital maturity, they need to focus on more than just the application. Integrating digital elements into an overall strategy, organizational culture, and business model is what companies must do with respect to digital technologies and the digitization of business processes. They cannot just introduce new technologies or digitize

processes and expect digital transformation to occur. To effectively address the challenges of digital disruption, it is imperative that organizations adopt a digital mindset that is deeply ingrained in their corporate culture. This involves developing a comprehensive, decision-oriented digital strategy that spans multiple departments and functions. In addition, fostering collaboration with external ecosystem partners and implementing digital business models are key components of this approach.

These parameters, among others, are essential to effectively navigate the complexities of digital disruption. The findings of our study indicate that digital maturity significantly influences how dynamic capabilities relate to performance results in a fast-evolving digital economy. Therefore, organizations must establish a digital transformation strategy that is dynamic and specific to their contexts, enabling them to use their unique set of dynamic capabilities to pivot toward worthwhile digital initiatives. The consideration of both dynamic capabilities and intermediate goals like digital maturity should be a top priority for managers to maintain sustainability. Klarin (2018) focuses on balancing the following three pillars of sustainability: the environmental, social, and economic factors. If we do not maintain this balance, we risk allowing one area to become "sustainable" while the others devolve into practices that will not last long or that may actually cause harm. We have to let nondurable practices in any area serve as a warning to us that what we are working towards in the supposedly sustainable area has not really been sustainable in any meaningful way (Klarin, 2018).

The digital world is throwing an ever-increasing number of external forces at organizations to force them to change. Transforming nearly all organizations into agile, responsive entities in a digital environment is vital. However, a clearly defined but limited group of companies is performing the hard work of building digital maturity. These companies seem to understand that significant transformation is required and that this transformation is necessary to stay competitive and achieve sustainability, as businesses must strive for the advantage over their competitors. This research aimed to look at how digital maturity influences the relationship between dynamic capabilities and having the upper hand in competition and strategic planning in businesses. It achieved this by studying a sample of firms based in Palestine. To grasp how digital transformation can embolden a company's competitive edge, we look at the dynamic capability framework. Using this well-worn tool from the strategy literature, we apply it to a contemporary context to better understand digital transformation, along with the success factors that determine whether a company is likely to achieve it. This analysis lays bare the significance of being not only digitally mature but also capable of an elusive combination that, as we shall see, necessarily involves a degree of dynamism. Why is such a combination vital? Because, as the evidence overwhelmingly suggests, it correlates with the growth of organizations in an increasingly survival-of-the-fittest digital world. This study offers verification to put forward the conjecture that businesses exhibiting elevated levels of digital maturity perform in a superior way to their competitors. Our findings suggest that businesses possessing a greater level of digital maturity deliver better financial returns. This research demonstrates that digital maturity positively influences the attainment of "competitive advantage". Consequently, this research adds to the currently available stock of evidence that is based on observation or experience rather than theory, demonstrating the positive effect digital maturity has on business performance (Kane, 2019; Schwertner, 2017; Westerman & Mcafee, 2012). Moreover, it also helps us understand the reasons behind success in the context of digital evolution. Our study's findings affirm the prevailing management recommendations that emphasize the benefits of increasing companies' digital maturity, especially in volatile market conditions. The results we obtained not only emphasize how important digital transformation is where attaining a competitive edge is concerned but also reveal that

the most digitally advanced companies actually possess a significantly enhanced ability to deploy dynamic capabilities compared to their less digitally mature counterparts. Establishing a link between dynamic capabilities and digital maturity can inform us about the direction needed to reach the summit of digital maturity. Achieving digital maturity demands that business leaders constantly and continuously rethink and re-examine every aspect of their operations. This study shows that in order to advance their digital maturity, companies need to actively implement and integrate the dynamic capabilities inherent in their organizational structure. This result aligns with earlier concepts and research conducted in the context of various other markets (Protogerou et al., 2012). The clear and substantially favorable effects seen in this study can be traced to the unusual and distinctive nature of this business, with its high degree of market volatility and fast-paced changes that keep it on an ever-evolving course. Through our study, we found that companies with more developed dynamic capabilities have progressed further along the path of digital maturity than their peers. Dynamic capabilities appear to be a pathway to effective digital shifts in a specific industrial environment. The plausibility of this finding is due to the recognition that digital transformation processes are inherently changing processes. Moreover, the presence of strong digital dynamics in the Palestinian context can be seen as an external shock that increases the desire of companies to successfully focus on digital transition, which is now crucial not only for survival but also for achieving a competitive edge.

This research further backs up prior empirical research that has looked into how dynamic capabilities affect company performance. From a perspective grounded in resources, we deduce that dynamic capabilities build upon the foundational competencies of a firm's resource base and provide the basis for achieving a performance impact that is difficult for competitors to replicate. In particular, it shows that a company's competitive edge is boosted by a strong set of dynamic capabilities. Companies that have dynamic capabilities that surpass those of their competitors are adept at spotting and seizing opportunities and at countering and dealing with threats in the Palestinian market. Their efficiency and effectiveness win out those of less capable firms. These results align with those of Makadok (2010) and Fang and Zou (2009). In various markets, this kind of flexibility has been shown to lead to either increased revenue or decreased costs. Consequently, it has been shown to contribute to "competitive advantage" (Drnevich & Kriauciunas, 2011). This study found a significant positive impact on performance. One viable explanation is that companies displaying a substantial degree of dynamism (and especially those with a strong market orientation) are able to employ their superior understanding of consumer markets and the current business climate to boost their overall performance (Neill et al., 2007). Given the prevailing dynamics in the Palestinian market, it is imperative that companies adopt a comprehensive market orientation in response to changing customer expectations and behavior. Financial returns are characterized by dynamism, which favors organizations with significant levels of dynamic capabilities. These firms are prepared to respond with even greater speed, efficiency, and effectiveness to the fast-changing environment (Tallon & Carroll, 2007). This study examines the relationships between multiple concepts and interactions, highlighting a multi-stage causal chain. Specifically, it explores how being digitally mature affects the formation of strategic plans and how the development of competitive advantages arises from the intertwined aspects of dynamic capabilities and "sensing", "seizing", and "reconfiguring". The study reveals a strong mediation effect, indicating that digital maturity acts as a causal factor in clarifying how and why a company's performance is influenced by its dynamic capabilities in the context of a digital business model. The study found that digital maturity fully mediates the relationships between competitive advantage, dynamic capabilities, and strategic planning. In other words, the ways competitive advantage is affected by dynamic capabilities or strategic planning are not significant when

we control a firm's digital maturity. This result is important because prior research has pointed to other mediators that explain how dynamic capabilities influence performance (Protogerou et al., 2012).

This study intended to investigate the connections among the dimensions of "dynamic capability" and "digital maturity". The research outcomes strongly linked three dynamic capability dimensions with digital maturity. These capability dimensions exhibited either a clear or linear relationship with digital maturity, and they were statistically significant. For instance, the path from DCP_CRB, DCP_MOD, and DCP_MTD to "Digital Maturity" yielded the respective statistically significant p-values ($\beta = 0.359$, $p = 0.000$), ($\beta = 0.451$, $p = 0.000$), and ($\beta = 0.163$, $p = 0.044$), indicating a strong, reliable path exists between them. In corroboration with previous findings, these outcomes suggest the propensities to change resource bases as relevant indicators of digital maturity; the findings are corroborated by (Bharadwaj et al., 2013). The research outcomes point to a strong and well-defined relationship between "digital maturity" and "strategic planning", and the statistical data we obtained supports this finding. In a strictly statistical sense, the p-value we found yields a highly significant result ($\beta = 0.830$, $p = 0.000$). We also found a direct and significant relationship between digital maturity and strategic planning that has important implications for the digital future of organizations. The current study's results exhibit consistency with the prior research of Matt et al. (2015), but they also extend the prior findings by offering a more recent perspective and a stronger emphasis on direct significance. The research findings show a clear link between digital maturity and competitive advantages. Using statistical evidence, we could clearly tell that digital maturity has a strong and meaningful relationship with the competitive advantages it possesses. We found this to be true to a high degree of certainty ($\beta = 0.541$, $p = 0.000$). Our research builds on and adds to earlier research performed by Teece et al. (1997).

The present study has certain limitations. Because it employs a research methodology that has some weaknesses, general conclusions about the Palestinian financial sector cannot be confidently drawn. Therefore, it would benefit this research to broaden its horizons and include additional countries, industries, or markets, as well as to increase the sample size. The process of pre-selecting the seniority level ensures that significant knowledge related to sensitive information is obtained. The precision of the measurements could be improved by replicating this study, in which the responses of multiple employees from one company are combined to obtain aggregate scores for company-specific constructs. In this specific situation, it is of scholarly interest to look at how the seniority level of employees who take part in the representation might influence their self-assessments of the constructs. This could be achieved by conducting multi-level studies, which provide a valuable approach for delving deeper into the fundamental components of dynamic capabilities. To increase participant engagement and reduce data sensitivity, this study used self-reported relative data as a means of assessing competitive advantage. To eliminate potential biases arising from the prevailing research methodology and mitigate the inherent perceptual bias associated with self-reported data, a specific possible direction for future research would be to broaden the current study by incorporating annual reports as a dependent variable. Annual reports could serve as a rich source of data for both the control and experimental groups, and in effect, they could double the requisite number of observations. Furthermore, the assessment of dynamic capabilities and the digital maturity level of an organization can be enhanced when the evaluators gather perspectives from a variety of individuals throughout the organization. A momentous transformation is taking place in the financial sector, spurred by technology and the development of new digital tools. Yet, it is not just technology that is driving this change, but also changing consumer needs and preferences. Organizations focused on financial services cannot afford to sit still

and must fully embrace digitalization, creating an actionable strategic plan to guarantee a seamless transition to a digital-first operating model. But what does this look like, and how does a transition "begin"? This article lays out some "how-to" methods for the effective digital transformation of financial services. It also evaluate the present circumstances, establishes unambiguous goals, and creates a scalable and flexible framework that guides strategic plan development, in which the assessment of the current situation, setting clear objectives, and roadmap creation all come together. Making use of suitable tools for investing in technology, cultivating a digital culture that encourages innovation, and ensuring that your team receives the training it needs to thrive in a digital world are some of the directions we recommend. Businesses have to amend their technology framework and methods if they wish to satisfy the requirements of the future.

Overall, this research gives helpful glimpses into the practices that promise the attainment of a competitive edge in the digital age. It underscores the importance of ever more elaborate skillsets in carrying out digital transformation initiatives and reaping a competitive advantage from them. These results provide a strong foundation for future research. Future research ought to build upon these findings and explore in greater depth the mechanisms through which dynamic capabilities can be developed to improve digital maturity.

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