Readiness to Change and Dynamic Capability for Growing Green Competitive Advantage of Post-Merger Rural Banks in Indonesia

Review of Integrative Business & Economics Research

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ABSTRACT

The challenge from the VUCA environment introduce new difficulties for firms as they must find ways to respond to this change. The objective of this study is to analyze the critical role of readiness to change and dynamic capability in fostering green competitive advantage and performance within the post-merger rural bank in West Java, Indonesia. The data is collected by distributing questionnaires to 250 respondents, who are managers of rural bank in West Java chosen using purposive sampling. The data analysis is carried out using Structural Equation Modeling with Smart PLS. The findings indicate that readiness to change positively affect green competitive advantage and dynamic capability, while dynamic capability positively affect green competitive advantage. In addition, this study confirms the mediating role of dynamic capability in the relationship between readiness to change and green competitive advantage. finally, green competitive advantage is found to lead to sustainable firm performance. This study contributes by providing new insights into how readiness to change and dynamic capability can be leveraged to foster green competitive advantage, particularly within the underexplored context of post-merger rural banks in Indonesia.

Keywords: Dynamic Capability, Green Competitive Advantage, Readiness to Change, Sustainable Firm Performance.

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1. INTRODUCTION

In today's business landscape, companies face significant challenges associated with VUCA (Volatility, Uncertainty, Complexity, and Ambiguity) (Persis et al., 2021; Popova et al., 2020). These challenges arise from environmental and market conditions that present new

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obstacles with elusive causes, persistent uncertainty in competition, complex issues, and often misleading and perplexing circumstances (Persis et al., 2021). To navigate this environment, businesses must adopt dynamic and proactive strategies (Miura et al., 2019). VUCA requires companies to be both adaptive and responsive to their surroundings (Sinha & Sinha, 2020; Popova et al., 2020). In this increasingly competitive landscape, various strategies are essential to maintaining a competitive edge (Persis et al., 2021; Chitranshi, 2021). For instance, the banking sector in West Java and Central Java has responded by pursuing mergers. The Financial Services Authority (OJK) has encouraged Rural Banks (BPRs) to merge, aiming to enhance their competitiveness and optimize the development and utilization of financial technology (fintech) (Anuradha & Sujatha, 2019).

Following a merger, companies must enhance their competitiveness and improve performance (Hermawan & Suharmono, 2020; Adhiatma et al. 2022). Hence, companies need to consider factors that can boost competitiveness and performance amid this VUCA environment. Several studies suggest that to tackle VUCA challenges, companies must possess a workforce consistently ready for change (AlFajri, 2022; Rozak et al. 2021; Adhiatma et al. 2022). This readiness can enhance the company's competitive edge (Hermawan & Suharmono, 2020; Adhiatma et al. 2022). Employee readiness to change is often overlooked and deemed unimportant in business, yet it stands as the crucial initial step before implementing organizational changes (Muchlissoh & Suhendi, 2021). It encompasses mental, psychological, and physical preparedness to face change, along with the belief, attitude, and intention to engage in the organizational change process (Al Fajri, 2022). Bairizki et al (2021) state that readiness to change serves as the primary foundation for organizations to address resistance to change. The attitudes individuals display toward change are significantly influenced by their willingness to cope with organizational changes.

Upon delving into the existing literature, research on the influence of readiness to change remains scarce (Alolabi et al. 2021; Mladenova, 2022) and very few studies analyze its impact on enhancing competitive advantage (Alolabi et al. 2021; Rahi et al. 2022; Diwanti et al. al. 2021). Therefore, this study aims to bridge this gap. Mladenova (2022) found that readiness to change complements preparedness to assist organizations in navigating unforeseen environments. This finding is supported by the research of (Pertiwi & Suhendi, 2021; Shalihah & Suhendi, 2021; Muchlissoh & Suhendi, 2021).

On the other hand, readiness to change is constructed to foster the dynamic capabilities of a company capable of addressing VUCA challenges (Hermawan & Suharmono, 2020; Adhiatma et al. 2022). Dynamic capabilities, advocated in various literature with the concept of dynamic capability (Breznik & Lahovnik, 2016; Qiu et al. 2020), represent a crucial capacity for companies to create competitive advantages amid VUCA challenges (Ferreira et al. 2020; Jurksiene & Pundziene, 2016; Breznik & Lahovnik, 2016). Dynamic capability signifies a company's ability to integrate, build, and reconfigure internal and external skills to cope with swiftly changing environments (Ferreira et al. 2020). The ability, expertise and experience of the organisation in managing organisational resources will encourage the ability to innovate and increase productivity (Harjanto & Nurim 2023).

However, some literature reveals inconsistent findings. For instance, Jiang et al. (2015) found that dynamic capabilities do not affect competitive advantage. Jiang et al. (2015; Lee & Rha, 2016) expressed that dynamic capabilities may not optimally create competitive advantages when applied in non-strategic aspects. On the other hand, green competitive advantages established by dynamic capabilities might not endure amid rapidly changing markets. To address these inconsistent research outcomes, some scholars propose the mediating role of dynamic capabilities in the influence of readiness to change on competitive advantage (Jiang et al. 2015; Qiu et al. 2020; Mikalef et al. 2020). Therefore, this study aims to fill the existing gap in discussing the role of readiness to change,

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particularly within the rural banking industry. Additionally, this research also analyzes the mediating role of dynamic capability in the influence of readiness to change on green competitive advantage. Furthermore, this study examines the impact of green competitive advantage on firm performance.

2. LITERATURE REVIEW

2.1. Readiness to Change on Green Competitive Advantage

Readiness to change originates from organizational development and humanistic traditions, signifying the value of participation in change efforts to alleviate group resistance (Tampubolon, 2020). Implementing readiness to change necessitates new strategies, policies, and procedures, along with new job descriptions or the introduction of technology (Adhiatma et al. 2022).

Several pieces of literature suggest that to confront VUCA challenges, companies must genuinely possess human resources consistently ready for change (AlFajri, 2022; Rozak et al. 2021; Adhiatma et al. 2022). This preparedness can enhance the company's competitive advantage (Hermawan & Suharmono, 2020; Adhiatma et al. 2022).

Delving into existing literature reveals that research on the influence of readiness to change remains scarce (Alolabi et al. 2021; Mladenova, 2022), with very few studies analyzing its impact on enhancing competitive advantage (Alolabi et al. 2021; Rahi et al. 2022; Diwanti et al. al. 2021). Alolabi et al. (2020) emphasize that the rapid advancement of technology demands business entities to be prepared for change. The implementation of readiness to change is driven by various factors, including codification strategies, autonomy, expertise, and collaboration (Rahi et al. 2022).

Mladenova (2022) found that readiness to change complements preparedness in aiding organizations to navigate unforeseen environments. Preparedness for change creates high competitiveness and opportunities to dominate markets. This is also affirmed by (Pertiwi & Suhendi 2021; Shalihah & Suhendi, 2021; Muchlissoh & Suhendi, 2021). Therefore, the role of readiness to change in enhancing green competitive advantage needs further analysis.

H1: Readiness to change has positive effect on green competitive advantage

2.2. Readiness to Change on Dynamic Capability

Readiness to change is established to cultivate a company's dynamic capabilities in facing VUCA (Hermawan & Suharmono, 2020; Adhiatma et al. 2022). If a company possesses resources ready for change, it becomes more dynamic and adaptable to shifts and developments in the business environment. Dynamic capability is advocated across various literature through the concept of dynamic capability (Breznik & Lahovnik, 2016; Qiu et al. 2020; Rozak et al. 2021; Uluskan et al. 2018). Rozak et al. (2021) elucidate that readiness to change encompasses four aspects: belief in the importance of change, intention to initiate change, supportive attitudes toward change, and the ability to effect change. Change necessitates a process that is neither easy nor straightforward. Therefore, in effecting change, companies are required to possess mature readiness (Hemme et al. 2018).

Propose et al. (2018) elaborate that organizational change requires solid cooperation and clear objectives. Managers and employees need to share a common vision and mission, alongside mutual commitment. A well-established communication system, periodic training, and knowledge transfer are essential, coupled with the existence of both financial and non-financial profit targets.

Adhiatama et al (2022) & Rozak et al (2021) emphasize the significance of readiness to change as companies enter the digital ecosystem, where human resources are required to master digital technology. Unfortunately, there remains a limitation in digital skills among

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the workforce, prompting companies to strive for change strategies to build dynamic capability amid technological advancements. Cahanar & Hamsal (2021) state that the key to readiness for change lies in business model innovation that drives dynamic capability. Therefore, this study formulates the following hypotheses:

H2: Readiness to change has positive effect on dynamic capability

2.3. Dynamic Capability on Green Competitive Advantage

Dynamic capability is a crucial ability for companies to create a competitive advantage amid VUCA challenges (Ferreira et al. 2020; Jurksiene & Pundziene, 2016; Breznik & Lahovnik, 2016). It represents the company's ability to integrate, develop, and reconfigure internal and external skills to address rapidly changing environments (Ferreira et al. 2020).

Dynamic capability creates an advantage for companies in the form of knowledge that cannot be imitated by other companies (Az Zahra, 2017). This dynamic ability can be utilized to continually create, expand, enhance, protect, and remain relevant with the company's unique innovations or breakthroughs (Ferreira et al. 2020). Isdarmanto (2021) emphasizes that dynamic capability drives companies to create new market shares, thereby establishing new market segments.

Currently, a company's competitive advantage is determined by dynamic capability (Purusottama et al. 2022; Ferreira et al. 2020). Dynamic capability represents the efficiency and effective technology transfer within a company, encompassing intellectual abilities, expertise, or skills that enhance business processes and the discovery of new business models in the global market.

However, inconsistent findings are noted in some literature, such as Jiang et al. (2015), where it was found that dynamic capability does not influence green competitive advantage. (Jiang et al, 2015; Lee & Rha, 2016) expressed that dynamic capability might not optimally create a competitive edge when applied in non-strategic aspects. On the other hand, the green competitive advantage forged by dynamic capability might not endure when the market rapidly changes.

To address the inconsistency in research findings, some researchers propose the mediating role of dynamic capability in the influence of readiness to change on competitive advantage (Jiang et al. 2015; Qiu et al. 2020; Mikalef et al. 2020).

H3: Dynamic capability has positive effect on green competitive advantage
H4: Dynamic capability mediates the relationship between readiness to change on green competitive advantage

2.4. Green Competitive Advantage on Sustainable Company Performance

Competitive advantage represents the efficiency achieved in attaining business success (Distanont & Khongmalai, 2018). Lorenzo et al. (2018) state that competitive advantage can be attained through various efforts, such as eliminating barriers in business competition, enhancing supply chain strength, creating new market shares, and precision in making business decisions. This indicates that competitive advantage is a stage that companies must reach to achieve success.

Several pieces of literature support that competitive advantage can enhance a company's performance (Lestari et al. 2020; Mukhsin et al. 2022; Udriyah et al. 2019; Singh et al. 2019). In this era, business competition intensifies on a broader scale (Lestari et al. 2020; Mukhsin et al. 2022). Therefore, competitive advantage stands as a crucial asset for sustaining good business performance (Udriyah et al. 2019; Singh et al. 2019). In facing VUCA challenges, companies must excel beyond competitors in several aspects, including products, R&D capabilities, management, profit, image, and uniqueness (Qiu et al. 2020).

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Research on the impact of competitive advantage on company performance has indeed been widely conducted (Lestari et al. 2020; Mukhsin et al. 2022; Udriyah et al. 2019; Singh et al. 2019). However, the analysis outcomes in these studies remain inconsistent. Some studies indicate that competitive advantage does not influence company performance (Walsh & Dodds, 2017; Priadana et al. 2021; Gani et al. 2021). Pridana et al. (2021) reveal that a significant role of competitive advantage is not found if the strategies employed are not appropriate. Competitive advantage comprises several aspects, including products, pricing, differentiation, and focus. These aspects must be utilized according to both internal and external business conditions. Hence, decisions regarding the implementation of competitive advantage must be carefully made, aligning with existing conditions. The discovery of inconsistent analysis outcomes indicates a research gap that needs empirical revalidation.

H5: Green Competitive advantage has positive effect on sustainable company performance

3. RESEARCH METHOD

This study aims to analyze five hypotheses concerning the influence of readiness to change and dynamic capability on green competitive advantage, as well as the impact of green competitive advantage on sustainable firm performance. To achieve this, a quantitative approach is employed by utilizing Structural Equation Modeling (SEM) to analyze the data.

The research focuses on managers from post-merger rural banks (BPR) in West Java, Indonesia. Specifically, the sample includes three banks that have recently undergone mergers, namely (1) the Rural Bank of Cirebon Regency, which resulted from the merger of 12 individual banks into a single entity; (2) Bank of Cirebon, West Java, which is formed through the merger of 7 banks; and (3) Bank Karya Mulia, which merged 4 rural banks into one. This selection ensures a relevant and targeted sample for the study. From the available population, the study employs purposive sampling to identify the respondents. The data collection process involves distributing structured questionnaires to 250 managers from these post-merger banks. The questionnaire responses are then analyzed using the Structural Equation Modeling method through Partial Least Square software.

There are four variables analyzed in this study: readiness to change (RTC), dynamic capability (DC), green competitive advantage (CA), and sustainable company performance. The variable readiness to change is measured using seven indicators adapted from Chrisanty et al. (2021), encompassing statements such as "ready to accept change," "easily understands and learns technology," "able to optimize technology for work," etc. Next, the variable dynamic capability is measured using six indicators adapted from Lee & Rha, (2016), including questions like "able to meet changing consumer demands," "capable of addressing problems quickly," "able to reconfigure resources for dynamic markets." Green competitive advantage, on the other hand, is measured using six indicators adapted and modified from Haseeb et al. (2019), covering statements like "able to develop ideas into green new products or services," "consistently introduces green new products and services to the market," "able to build green market positioning." Finally, sustainable company performance (FP) is measured and modified using five indicators adopted from Haseeb et al. (2019), encompassing "increased sustainable company profits," "ability to compete with competitor products," "consistently increased sustainable market share."

4. RESULTS

The analysis in this study employs the Structural Equation Modeling method using Smart-PLS. The respondents in this study encompass 250 managers from post-merger rural banks

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(BPRs) in West Java, Indonesia. Before delving further into the analysis results, it's essential to outline the characteristics of the respondents in this study. Table 1 presents the characteristics which include the gender of the respondents, their highest level of education, and their duration of employment at the BPRs.

Table 1. Respondents' Characteristics

Category	Frequency (n)	Percentage (%)
Gender		
Male	157	63%
Female	93	37%
Educational Level		
Bachelor Degree	217	87%
Master Degree	33	13%
Tenure of Employment		
Less than 1 year	60	24%
1-2 year	168	67%

The data collection results indicate that the respondents in this study predominantly comprise males, accounting for 63%, compared to females at 37%. Furthermore, based on the educational criteria, the majority of respondents hold a bachelor's degree, comprising 87%, while the remaining have completed a Diploma or High School Education. Regarding the tenure of employment at the rural banks (BPRs), most respondents have worked at the rural banks (BPRs) for 1-2 years, representing 67%, with 24% being employed for less than 1 year.

4.1. Outer Model Analysis

The outer model analysis in Smart-PLS aims to test the indicators' ability to represent their respective variables. This analysis encompasses convergent validity, discriminant validity, construct validity, and reliability. The initial testing is convergent validity, assessing the indicator's validity in this study. The criterion used in this testing is a loading factor value > 0.7. The analysis results are depicted in Table 2.

Table 2. Convergent Validity

Indicators	Loading Factors	Validity
CA1	0.846	Valid
CA2	0.789	Valid
CA3	0.876	Valid
CA4	0.923	Valid
CA5	0.894	Valid
CA6	0.882	Valid
DC1	0.875	Valid
DC2	0.894	Valid
DC3	0.891	Valid
DC4	0.864	Valid
DC5	0.888	Valid
DC6	0.868	Valid
FP1	0.804	Valid
FP2	0.957	Valid
FP3	0.972	Valid
FP4	0.948	Valid
FP5	0.959	Valid

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RTC1	0.751	Valid
RTC2	0.813	Valid
RTC3	0.859	Valid
RTC4	0.812	Valid
RTC5	0.872	Valid
RTC6	0.791	Valid
RTC7	0.829	Valid

Table 1 illustrates the results of convergent validity, indicating that all indicators in this study have loading factor values > 0.7, thus establishing their validity. Valid indicators imply that the instrument can effectively measure what it is intended to measure. Instrument results can be deemed valid when there is alignment between the gathered data and the actual occurrences within the researched objects.

The subsequent outer model analysis is discriminant validity, aiming to assess whether the indicators in this study can accurately measure the variables without being confused with other variables. Discriminant validity testing uses cross-loading, with the criterion being that each indicator should have the highest loading on its respective variable's AVE root. The analysis results are presented in Table 3.

Table 3. Discriminant Validity

	Competitive Advantage	Dynamic Capability	Sustainable Firm Performance	Readiness to Change
CA1	0.846	0.778	0.774	0.749
CA2	0.789	0.719	0.703	0.684
CA3	0.876	0.735	0.732	0.763
CA4	0.923	0.752	0.768	0.797
CA5	0.894	0.733	0.767	0.779
CA6	0.882	0.750	0.838	0.772
DC1	0.702	0.875	0.703	0.776
DC2	0.753	0.894	0.737	0.805
DC3	0.748	0.891	0.761	0.798
DC4	0.746	0.864	0.740	0.769
DC5	0.773	0.888	0.799	0.760
DC6	0.801	0.868	0.800	0.753
FP1	0.800	0.749	0.804	0.729
FP2	0.812	0.821	0.957	0.806
FP3	0.824	0.830	0.972	0.790
FP4	0.814	0.798	0.948	0.780
FP5	0.818	0.793	0.959	0.785
RTC1	0.634	0.630	0.621	0.751
RTC2	0.632	0.705	0.666	0.813
RTC3	0.736	0.766	0.740	0.859
RTC4	0.737	0.670	0.621	0.812
RTC5	0.785	0.804	0.802	0.872
RTC6	0.735	0.714	0.646	0.791
RTC7	0.726	0.757	0.693	0.829

Table 2 demonstrates that all indicators have the highest cross-loading values and align with their respective variables. These outcomes indicate that all indicators have accurately measured their variables, allowing the data in this study to be utilized for further analysis.

The subsequent outer model analysis involves construct validity and construct

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reliability to test the validity and reliability of the variables. This study analyzes four variables, with the testing outcomes presented in Table 4.

Table 4. Construct Validity and Construct Reliability

	Composite Reliability	Average Variance Extracted (AVE)
Competitive Advantage	0.949	0.755
Dynamic Capability	0.954	0.775
Firm Performance	0.970	0.865
Readiness to Change	0.934	0.671

Table 3 illustrates the results of construct validity and reliability testing. The criteria applied entail variables having an AVE value > 0.5 for validity and a composite reliability value > 0.7 for reliability. The analysis outcomes indicate that all variables have met these criteria, signifying that all variables are both valid and reliable. These results indicate that the study has successfully passed all outer model tests and can proceed to the inner model analysis.

4.2. Inner Model Analysis

The inner model analysis aims to assess the influence among variables and test the goodness of fit. The stages in the inner model analysis include testing the coefficient of determination (R-Square), evaluating goodness of fit, and hypothesis testing or path analysis. The initial analysis is the coefficient of determination to ascertain the magnitude of the influence of exogenous variables on the endogenous variables. The analysis results are depicted in Table 5.

Table 5. R Square

	R Square
Competitive_Advantage	0.795
Dynamic_Capability	0.779
Firm_Performance	0.775

Table 4 illustrates that this study comprises three endogenous variables: competitive advantage, dynamic capability, and firm performance. It is observed that competitive advantage is influenced by exogenous variables by 79.5%, while dynamic capability is influenced by exogenous variables by 77.9%. Additionally, the firm performance variable is influenced by exogenous variables by 77.5%.

The subsequent test is the goodness of fit to assess the model's adequacy in this study. The goodness of fit test comprises the square root of the average communality and average R Square values. The criteria used are a medium goodness of fit if the value is > 0.25 and a large goodness of fit if the value is > 0.36. The analysis results are presented in Table 6.

Table 6. Goodness of Fit

	Communality	R-Square
Competitive_Advantage	0.649	0.795
Dynamic_Capability	0.673	0.779
Firm_Performance	0.786	0.775
Readiness to_Change	0.554	
Average	**0.666**	**0.783**
Gof	**0.718**	

Table 6 displays a GoF value of 0.718, which is > 0.36, indicating that the research model

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demonstrates a large GoF value. This conclusion suggests that this model exhibits excellent adequacy.

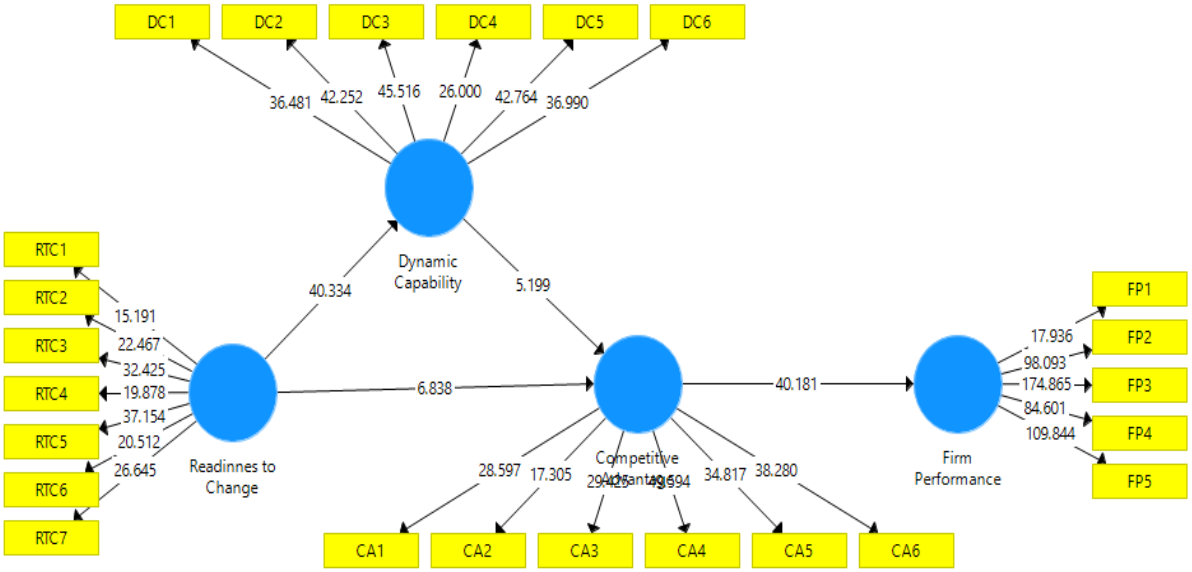

Figure 1. Bootstrapping Analysis Output

The next step is hypothesis testing, conducted using bootstrapping analysis in the Smart PLS software. The analysis results are presented in Table 7.

Table 7. Path Analysis

	Original Sample	T Statistics	P Values	Results
Readiness to Change → Green Competitive Advantage	0.526	6.838	0.000	H1 Supported
Readiness to Change → Dynamic Capability	0.883	40.334	0.000	H2 Supported
Dynamic Capability → Green Competitive Advantage	0.392	5.199	0.000	H3 Supported
Readiness to Change → Dynamic Capability → Green Competitive Advantage	0.346	5.144	0.000	H4 Supported
Green Competitive Advantage → Sustainable Firm Performance	0.880	40.181	0.000	H5 Supported

Table 7 presents the results of hypothesis testing in this study. The hypothesis testing employed the criterion that a positive estimate value indicates a positive effect. Additionally, significance was determined if the t-statistic value > 1.96 and the P-value < 0.05. The test results indicate that H1, H2, H3, H4, and H5 in this study are supported.

5. DISCUSSION

This study analyzed five hypotheses, primarily examining the influence of readiness to change on green competitive advantage and dynamic capability. Additionally, it explored the mediating impact of dynamic capability and the influence of green competitive advantage on sustainable company performance. The analysis outcomes indicate that all hypotheses in this study are supported. Consequently, this study emphasizes and substantiates the critical role of readiness to change and dynamic capability in fostering

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green competitive advantage amid VUCA challenges, particularly within the post-merger rural bank (BPRs) in West Java, Indonesia.

The analysis results indicate that Hypothesis 1 is supported, empirically proving that readiness to change has a positive influence on competitive advantage. This finding suggests that the better the readiness to change among employees in rural bank (BPRs), the greater the potential for enhancing the company's competitive edge. These results are supported by prior research by (Hermawan & Suharmono. 2020; Adhiatma et al. 2022), emphasizing similar findings.

Readiness to change is rooted in organizational development and humanistic traditions, reflecting the value of participation in change efforts to alleviate group resistance to change (Tampubolon, 2020). Implementing readiness to change requires new strategies, policies, and procedures, the creation of new job descriptions, or the introduction of technology (Adhiatma et al. 2022).

Alolabi et al. (2020) emphasized that the rapid advancement of technology demands business actors to be ready for change. The implementation of readiness to change is driven by several factors, including codification strategies, autonomy, expertise, and collaboration (Rahi et al. 2022). Mladenova (2022) discovered that readiness to change can complement preparedness in helping organizations navigate unforeseen environments. Preparedness for change creates high competitiveness and opportunities to dominate the market. This notion is also confirmed by (Pertiwi & Suhendi 2021; Shalihah & Suhendi, 2021; Muchlissoh & Suhendi, 2021).

Based on these analysis results, this research recommends rural bank (BPR) managers to cultivate employees who are prepared for change. Readiness for change begins with awareness of its importance, the intention to change, a supportive attitude toward change, and the capability to enact change (Chrisanty et al. 2021; Rozak et al. 2021). Furthermore, hypothesis 2 in this study is also supported, indicating that readiness to change positively influences dynamic capability. These findings demonstrate that increased readiness for change correlates with the enhanced dynamic capability of a company. These results align with previous research conducted by (Breznik & Lahovnik 2016; Qiu et al. 2020; Rozak et al. 2021; Uluskan et al. 2018).

Readiness to change is developed to cultivate a company's dynamic capability to face VUCA (Volatility, Uncertainty, Complexity, and Ambiguity) (Hermawan & Suharmono, 2020; Adhiatma et al. 2022). If a company possesses resources ready for change, it becomes more dynamic and adaptable to the changes and developments in the business environment.

Propose et al. (2018) outlined that organizational changes require solid collaboration and clear objectives within a company. Managers and employees need to share the same vision, mission, and commitment, establishing a well-built communication system, conducting regular training and knowledge transfer, and setting both financial and non-financial profit targets. Adhiatama et al. (2022) & Rozak et al (2021) emphasize the importance of readiness to change as companies navigate the digital ecosystem, where human resources are required to master digital technology. However, the scarcity of digital skills among human resources remains a challenge. Therefore, companies must strive for change strategies to build dynamic capability amid technological advancements. Cahanar & Hamsal (2021) state that the key to readiness for change lies in the presence of business model innovation that drives dynamic capability.

The findings from hypothesis 2 testing support the discoveries of hypothesis 1, indicating that readiness for change plays a crucial role within companies, particularly in facing VUCA challenges. Therefore, this research recommends that companies prepare their employees to always be ready for change. Such preparedness can enhance green competitive advantage and dynamic capability. The subsequent findings indicate that dynamic capability has a positive influence on green competitive advantage, thus supporting hypothesis 3 in this

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study. The analysis results reveal that the better the dynamic capability a company possesses, the more it enhances the company's green competitive advantage. These outcomes align with previous research by (Ferreira et al. 2020; Jurksiene & Pundziene, 2016; Breznik & Lahovnik, 2016).

Dynamic capability refers to a company's ability to integrate, build, and reconfigure internal and external skills to cope with swiftly changing environments (Ferreira et al. 2020). It creates an advantage for companies in the form of knowledge that cannot be replicated by other firms (Az Zahra, 2017). This dynamic ability can be utilized continuously to create, expand, enhance, safeguard, and remain relevant through unique innovations or breakthroughs within the company (Ferreira et al. 2020). Isdarmanto (2021) emphasizes that dynamic capability drives companies to create new market shares, thereby establishing new market segments.

However, in some literature, differing analysis results were found Jiang et al. (2015) discovered that dynamic capability does not influence competitive advantage. (Jiang et al. 2015; Lee & Rha, 2016) expressed that dynamic capability might not optimally create competitive advantage when applied in non-strategic aspects. On the other hand, green competitive advantage generated by dynamic capability might not sustain if the market rapidly changes. This study confirms, based on findings in rural banks (BPRs) in West Java, that dynamic capability does affect green competitive advantage. Furthermore, this study also demonstrates that dynamic capability significantly mediates the influence of readiness to change on green competitive advantage, thus supporting hypothesis 4. These results indicate that dynamic capability not only has a direct impact on green competitive advantage but also plays a mediating role. These findings align with previous research by (Jiang et al. 2015; Qiu et al. 2020; Mikalef et al. 2020).

Based on these findings, the study recommends enhancing the company's dynamic capability. Dynamic capability encompasses three main aspects: sensing, seizing, and reconfiguring. Hence, the company should be proficient in executing these three aspects in implementing business strategies and fostering organizational growth.

The findings of this study also confirm the support for hypothesis 5. The results indicate that green competitive advantage positively influences sustainable firm performance. These outcomes are supported by previous literature, such as (Lestari et al. 2020; Mukhsin et al. 2022; Udriyah et al. 2019; Singh et al. 2019), while contradicting the findings of (Walsh & Dodds 2017; Priadana et al. 2021; Gani et al. 2021). Pridana et al. (2021) revealed that a significant role of competitive advantage is not found if the adopted strategies are not appropriate. Competitive advantage encompasses various aspects, including products, pricing, differentiation, and focus. These aspects should be used according to both internal and external business conditions. Therefore, decisions regarding the implementation of green competitive advantage should be carefully made, considering the existing conditions.

In this era, competition among businesses has become increasingly intense on a broader scale (Lestari et al. 2020; Mukhsin et al. 2022). Therefore, green competitive advantage is a crucial asset to maintain good business performance (Udriyah et al. 2019; Singh et al. 2019). In facing VUCA challenges, companies need to outperform competitors in several aspects: products, R&D capabilities, management, profitability, image, and uniqueness (Qiu et al. 2020).

6. CONCLUSIONS

This research analyzed 5 hypotheses concerning the influence of readiness to change and dynamic capability on green competitive advantage, as well as the impact of competitive advantage on firm performance. The analysis was conducted quantitatively using the structural equation model. The findings revealed that all hypotheses in this study were

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supported, emphasizing and substantiating the crucial role of readiness to change and dynamic capability in fostering green competitive advantage amid VUCA challenges, especially within the context of post-merger rural banks (BPRs) in West Java.

This study recommends and emphasizes to companies the continual effort to enhance green competitive advantage. Green competitive advantage encompasses several aspects: the ability to create green new products and services, consistent green innovation, and the capability to establish a strong green market positioning. By pursuing these efforts, the company's performance consistently grows and improves.

7. MANAGERIAL IMPLICATION

Based on the analysis, this study recommends rural bank (BPR) managers to cultivate employees who are ready to embrace change. Preparedness for change starts with awareness of its importance, the intention to change, a supportive attitude, and the capability to execute change. Such preparedness can enhance both green competitive advantage and dynamic capability. Additionally, the research suggests enhancing the company's dynamic capability, encompassing three main aspects: sensing, seizing, and reconfiguring. Hence, the company needs to proficiently execute these three aspects in implementing business strategies and fostering corporate growth. Furthermore, this study emphasizes the importance for companies to consistently strive for improvements in competitive advantage.

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