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ANALYSIS OF INSTITUTIONAL TRANSFORMATION WITH ORGANIZATIONAL READINESS AS A MEDIATING VARIABLE AT THE INSTITUTO DE DEFESA NACIONAL TIMOR-LESTE

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ABSTRACT

Institutional transformation is a strategic organizational change process that involves structural, cultural, and managerial adjustments to ensure organizational adaptability and sustainability in a dynamic environment. This study aims to analyze institutional transformation with organizational readiness as a mediating variable at the Instituto de Defesa Nacional Timor-Leste, which is currently undergoing an institutional transformation toward becoming a defense higher education institution. This study employed a quantitative explanatory research design using a census method, in which all employees involved in the transformation process were included as respondents. Data were collected through a structured questionnaire and analyzed using Partial Least Squares–Structural Equation Modeling (PLS-SEM). The results indicate that transformational leadership has a positive and significant effect on institutional transformation and organizational readiness. Organizational culture has a significant effect on organizational readiness but does not directly influence institutional transformation. Organizational communication has a positive and significant effect on institutional transformation but does not significantly affect organizational readiness. Furthermore, organizational readiness does not mediate the relationship between transformational leadership, organizational culture, organizational communication, and institutional transformation. These findings suggest that institutional transformation in defense-related public organizations is primarily driven by direct leadership actions and effective communication, while organizational culture and readiness function as supporting factors. This study contributes to the literature on organizational change by highlighting the contextual role of organizational readiness in institutional transformation processes.

KEYWORDS: Institutional Transformation, Organizational Readiness, Defense Higher Education Institution, Timor-Leste.

INTRODUCTION

Organizational transformation has become an unavoidable necessity for public sector institutions in responding to dynamic environmental changes, governance reforms, and increasing demands for accountability and performance [4]. In the context of higher education and defense-related institutions, transformation is not merely structural but also cultural and behavioral, requiring readiness at both individual and organizational levels [6]. Institutions that fail to prepare their internal capacity often experience resistance to change, ineffective implementation, and suboptimal outcomes [3].

The Institute of National Defense of Timor-Leste (IDN-TL) is currently undergoing a strategic transformation process toward becoming a higher education institution with stronger academic, managerial, and institutional governance standards. This transformation requires fundamental changes in leadership practices, organizational culture, communication systems, and institutional readiness. Leadership plays a central role in directing change, particularly transformational leadership, which emphasizes vision, inspiration, intellectual stimulation, and individualized consideration to encourage organizational members to embrace change [2].

Previous studies suggest that transformational leadership significantly influences organizational readiness and transformation outcomes by fostering commitment, trust, and shared vision among employees [2], [10]. In addition to leadership, organizational culture is often viewed as a critical determinant of successful transformation, as shared values, norms, and beliefs shape employees' attitudes toward change [6], [12]. A supportive organizational culture may enhance readiness for change; however, empirical findings regarding its direct impact on institutional transformation remain inconclusive [7]. Similarly, organizational communication is essential in reducing uncertainty, clarifying change objectives, and aligning employee perceptions, yet its role in driving readiness and transformation varies across organizational contexts [8], [11].

Despite the growing body of literature on organizational transformation, limited empirical studies have examined the combined effects of transformational leadership, organizational culture, and organizational communication on institutional transformation within defense-related educational institutions, particularly in developing countries such as Timor-Leste [9]. Moreover, the mediating role of organizational readiness in linking these factors to institutional transformation remains underexplored [13]. This research gap highlights the need for empirical investigation to better understand the determinants of successful transformation in this specific institutional context.

Therefore, this study aims to analyze the effects of transformational leadership, organizational culture, and organizational communication on institutional transformation at IDN-TL, with organizational readiness examined as a mediating variable. By employing a quantitative approach using Partial Least Squares Structural Equation Modeling (PLS-SEM), this study is expected to contribute both theoretically and practically [14]. The findings provide empirical evidence on key

drivers of institutional transformation and offer managerial implications for policymakers and leaders in managing change processes within public and defense-related higher education institutions.

2. METHODOLOGY

This study adopts a quantitative research approach with an explanatory research design, aiming to analyze the causal relationships between leadership, organizational culture, and organizational communication on institutional transformation, both directly and through organizational readiness as a mediating variable. The quantitative approach was selected to enable objective measurement and hypothesis testing based on empirical data.

The population of this study consists of employees of the National Defense Institute of Timor-Leste (IDN-TL), the Ministry of Defense (MD), and the Falintil–Forças de Defesa de Timor-Leste (F-FDTL), totaling 92 respondents. Given the relatively limited population size, a census sampling technique was employed, whereby all members of the population were included as research respondents. This approach was chosen to ensure comprehensive representation of the study population and to minimize potential sampling bias.

The research variables comprise transformational leadership, organizational culture, and organizational communication as exogenous variables, organizational readiness as a mediating variable, and institutional transformation as the endogenous variable. Data were collected using a structured questionnaire developed from established measurement scales from prior studies and adapted to the organizational and institutional context of IDN-TL and its affiliated defense institutions.

All variables were measured using a five-point Likert scale, ranging from 1 (strongly disagree) to 5 (strongly agree), to capture respondents' perceptions consistently and reliably. The primary data source was primary data, obtained directly from respondents through questionnaire distribution.

Data analysis was conducted using the Partial Least Squares–Structural Equation Modeling (PLS-SEM) technique with the assistance of SmartPLS software. PLS-SEM was chosen due to its suitability for complex models involving mediation effects and its robustness in handling relatively small sample sizes. The analysis process included evaluation of the measurement model (validity and reliability) and the structural model to test the proposed relationships among variables, following the recommendations of Hair et al. [14].

3. RESULTS

3.1 Respondent Profile

Table 1 presents the demographic characteristics of the respondents involved in this study. The majority of respondents are male, accounting for 63.04%, while 36.96% are female. In terms of age distribution, most respondents fall within the 36–45 years age group (38.04%), followed by those

aged over 45 years (29.35%). This indicates that the respondents are predominantly in productive and experienced age categories.

Regarding work experience, 41.30% of respondents have been working for more than 10 years, while 31.52% have 6–10 years of service. This suggests that most respondents possess substantial organizational experience. In terms of position, nearly half of the respondents (48.91%) hold staff-level positions, followed by division heads (23.91%) and section heads (11.96%).

Furthermore, respondents are distributed across different institutional units, with 38.04% from IDN, 36.96% from Ministério da Defesa (MD), and 25.00% from FALINTIL-Forças de Defesa de Timor Leste (F-FDTL), indicating adequate representation across organizational units. Overall, the respondent profile reflects a diverse and experienced workforce, providing a reliable basis for further analysis.

Table 1. Respondent Identity

No	Category	Option	Frequency	Percentage
1	Gender	Male	58	63,04%
		Female	34	36,96%
2	Age	< 25 years	8	8,70%
		25–35 years	22	23,91%
		36–45 years	35	38,04%
		> 45 years	27	29,35%
3	Length of Service	< 3 years	11	11,96%
		3–5 years	14	15,22%
		6–10 years	29	31,52%
		> 10 years	38	41,30%
4	Position	Staff	45	48,91%
		Section Head	11	11,96%

		Division Head	22	23,91%
		Others	14	15,22%
5	Unit / Institution	IDN	35	38,04%
		MD	34	36,96%
		F-FDTL	23	25,00%

3.2 Construct Validity and Reliability

Table 2 presents the results of the construct reliability and convergent validity assessment. The reliability of the constructs was evaluated using Cronbach's Alpha, rho_a, and Composite Reliability (rho_c). The results indicate that most constructs demonstrate acceptable internal consistency, with composite reliability values exceeding the recommended threshold of 0.70 [14].

Furthermore, convergent validity was assessed using the Average Variance Extracted (AVE). The AVE values for transformational leadership, organizational culture, and organizational readiness exceed the recommended minimum value of 0.50, indicating adequate convergent validity [14]. Although the AVE values for organizational communication and institutional transformation are slightly below the threshold, they remain acceptable in exploratory and explanatory research, particularly when composite reliability values meet the required standards [14].

Overall, the results confirm that the measurement model demonstrates satisfactory levels of reliability and validity, allowing for further structural model analysis [14].

Table 2. Construct Validity and Reliability

Variable	Cronbach's Alpha	Composite Reliability (rho_a)	Composite Reliability (rho_c)	Average variance extracted (AVE)
X1_Transformational Leadership	0.712	0.741	0.820	0.536
X2_Organizational Culture	0.734	0.742	0.833	0.556
X3_Organizational Communication	0.631	0.636	0.784	0.478
Y_Institutional Transformation	0.656	0.682	0.796	0.498

Z_Organizational Readiness	0.673	0.688	0.800	0.502
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3.3 Indicator Loadings

Table 3 reports the results of the outer loading analysis for all measurement indicators. The findings show that all indicator loadings exceed the minimum threshold value of 0.50, as recommended by Ghozali [4], indicating satisfactory convergent validity for each construct. The indicators measuring transformational leadership, organizational culture, and organizational communication demonstrate adequate loading values, suggesting that each indicator reliably represents its respective latent construct. Similarly, indicators associated with institutional transformation and organizational readiness exhibit acceptable loading values, confirming the adequacy of the measurement model. Based on these results, none of the indicators were removed from the model. Overall, the measurement model is considered valid and free from potential measurement bias, supporting its suitability for subsequent structural model evaluation.

Table 3. Outer Loadings

Indicator	X1 – Transformational Leadership	X2 – Organizational Culture	X3 – Organizational Communication	Y – Institutional Transformation	Z – Organizational Readiness
X1_1	0.784				
X1_2	0.629				
X1_3	0.817				
X1_4	0.681				
X2_1		0.686			
X2_2		0.804			
X2_3		0.798			
X2_4		0.686			
X3_1			0.644		
X3_2			0.763		
X3_3			0.745		

X3_4			0.602		
Y1				0.671	
Y2				0.839	
Y3				0.720	
Y4				0.567	
Z1					0.609
Z2					0.794
Z3					0.685
Z4					0.732

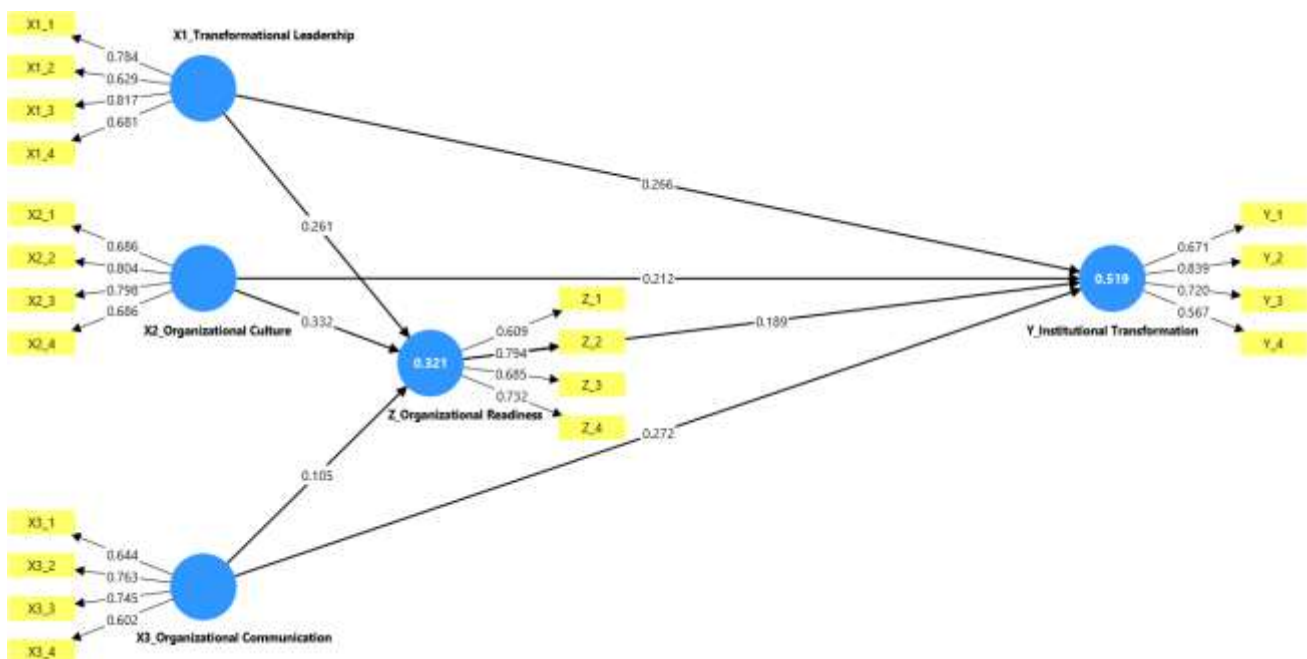


Figure 1. PLS Structural Model

Table 4. Hypothesis Testing Results

Relationship between Variables	Path Coefficient	P-values	Remark
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X1_Transformational Leadership -> Y_Institutional Transformation	0.266	0.015	Significant
X2_Organizational Culture -> Y_Institutional Transformation	0.212	0.089	Not significant
X3_Organizational Communication -> Y_Institutional Transformation	0.272	0.004	Significant

Table 5. Mediation Variable Testing Results

Relationship between Variables	Mediating Variable	Path Coefficient	P-values	Remark
X1_Transformational Leadership -> Z_Organizational Readiness	Organizational Readiness (Z)	0.261	0.023	Significant
X2_Organizational Culture -> Z_Organizational Readiness	Organizational Readiness (Z)	0.332	0.008	Significant
X3_Organizational Communication -> Z_Organizational Readiness	Organizational Readiness (Z)	0.105	0.429	Not significant

Table 6. Indirect Effect Testing Results

Indirect Relationship	Original sample (O)	Sample mean (M)	Standard deviation (STDEV)	T statistics (O/STDEV)	P values	Remark
X1_Transformational Leadership -> Z_Organizational Readiness-> Y_Institutional Transformation	0.049	0.049	0.032	1.536	0.125	Not significant
X2_Organizational Culture -> Z_Organizational Readiness-> Y_Institutional Transformation	0.063	0.062	0.038	1.645	0.100	Not significant
X3_Organizational Communication ->	0.020	0.025	0.032	0.626	0.531	Not significant

Z_ Organizational Readiness->						
Y_ Institutional Transformation						

4. DISCUSSION

This study examines the effects of transformational leadership, organizational culture, and organizational communication on institutional transformation at the Instituto de Defesa Nacional Timor-Leste (IDN-TL), with organizational readiness as a mediating variable. The discussion integrates the empirical findings with Change Theory and previous studies on organizational transformation, particularly within public and defense-related institutions [1], [10].

4.1 Transformational Leadership and Institutional Transformation

The results indicate that transformational leadership has a positive and significant effect on institutional transformation. This finding suggests that leaders who articulate a clear vision, inspire employees, provide intellectual stimulation, and offer individualized consideration play a crucial role in driving institutional change. In the context of IDN-TL's transformation into a higher education institution, transformational leadership serves as a key mechanism for aligning organizational members with strategic objectives and accelerating structural and managerial reforms.

This finding supports Change Theory, which emphasizes the role of change agents in guiding organizations through the changing phase effectively [1]. It is also consistent with prior empirical studies showing that transformational leadership contributes significantly to successful organizational transformation by reducing resistance and enhancing employee commitment [2], [15], [9]. In defense-related public organizations characterized by hierarchical structures, strong transformational leadership becomes essential for ensuring the continuity and effectiveness of institutional change initiatives.

In addition, transformational leadership is found to have a positive and significant effect on organizational readiness. This result indicates that transformational leaders are capable of fostering psychological and structural preparedness among employees by building trust, commitment, and shared understanding of transformation goals. These findings reinforce the argument that transformational leadership plays a central role in initiating the unfreezing stage by preparing organizational members to accept change [1], [3].

4.2 Organizational Culture and Institutional Transformation

The findings reveal that organizational culture does not have a significant direct effect on institutional transformation, although it significantly influences organizational readiness. This suggests that organizational culture at IDN-TL functions more as an internal foundation shaping employees'

attitudes and readiness for change rather than as a direct driver of institutional transformation outcomes.

This result aligns with the perspective that organizational culture primarily affects internal values, beliefs, and assumptions that influence readiness and behavioral responses to change [13]. A culture that encourages innovation, learning, and adaptability may enhance readiness; however, cultural alignment alone may not be sufficient to produce immediate structural transformation without strong leadership and strategic direction.

Previous studies similarly indicate that organizational culture often exerts an indirect influence on transformation outcomes by strengthening readiness and acceptance rather than directly shaping institutional change [6], [7]. In the context of IDN-TL, cultural values appear to support internal preparedness but are not yet fully translated into direct institutional transformation.

4.3 Organizational Communication and Institutional Transformation

The study finds that organizational communication has a positive and significant effect on institutional transformation, while its effect on organizational readiness is not significant. This indicates that communication at IDN-TL plays a direct role in implementing transformation policies and clarifying institutional direction, rather than in developing employees' psychological readiness for change.

This finding may be explained by the hierarchical nature of defense-related organizations, where communication tends to be formal and top-down. Such communication patterns are effective in conveying directives, policies, and strategic decisions, thereby facilitating structural transformation. However, they may be less effective in promoting participation and emotional engagement required to build readiness [8], [11].

The results suggest that organizational communication contributes primarily to the implementation phase of change rather than the preparatory phase, emphasizing its role in operationalizing institutional transformation rather than shaping readiness.

4.4 The Mediating Role of Organizational Readiness

Organizational readiness is widely recognized as a critical factor in determining the success of organizational change and institutional transformation. It reflects the collective psychological and behavioral preparedness of organizational members to accept, implement, and sustain change initiatives [3], [13], [17]. In this study, organizational readiness was examined as a mediating variable in the relationships between transformational leadership, organizational culture, organizational communication, and institutional transformation.

The findings indicate that organizational readiness does not mediate the relationship between transformational leadership and institutional transformation. Although transformational leadership contributes to strengthening change orientation and commitment within the organization, readiness does not function as an intervening mechanism through which leadership influences institutional transformation. This suggests that transformational leadership at the Instituto de Defesa Nacional Timor-Leste operates primarily through direct strategic direction, authority, and leader-driven change initiatives rather than indirectly through organizational readiness perceptions [2], [9], [10].

Similarly, organizational readiness does not mediate the relationship between organizational culture and institutional transformation. While organizational culture plays an important role in shaping shared values, norms, and behavioral expectations, its influence appears insufficient to translate into institutional transformation through readiness alone. This finding implies that organizational culture functions more as a contextual or supporting element rather than a driving force of transformation outcomes, particularly in formal public sector institutions where transformation is often guided by policy decisions and leadership mandates [6], [7], [12].

Furthermore, organizational readiness also does not mediate the relationship between organizational communication and institutional transformation. Although effective communication enhances clarity, coordination, and understanding during change processes, readiness does not serve as a linking mechanism between communication and transformation outcomes. This suggests that organizational communication in this context functions primarily as a direct facilitator of implementation and alignment rather than as a factor that indirectly drives transformation through readiness [8], [11].

Overall, these findings indicate that organizational readiness, while important in supporting change implementation, does not play a mediating role in the institutional transformation process at the Instituto de Defesa Nacional Timor-Leste. Institutional transformation within this defense-related public organization appears to be driven more strongly by direct leadership influence and formal organizational mechanisms than by readiness-based behavioral pathways.

5. CONCLUSIONS AND RECOMMENDATIONS

5.1 Conclusions

This study examines the effects of transformational leadership, organizational culture, and organizational communication on institutional transformation at the Instituto de Defesa Nacional Timor-Leste, with organizational readiness considered as a mediating variable. Based on the findings obtained from the Partial Least Squares–Structural Equation Modeling (PLS-SEM) analysis, several important conclusions can be drawn.

First, transformational leadership plays a critical role in institutional transformation. The findings demonstrate that transformational leadership has a positive and significant effect on both

organizational readiness and institutional transformation. Leaders who articulate a clear vision, provide inspiration, encourage intellectual stimulation, and demonstrate individualized consideration are essential in driving institutional change. In the context of the Instituto de Defesa Nacional Timor-Leste, transformational leadership directly supports transformation initiatives while simultaneously strengthening employees' preparedness to adapt to change.

Second, organizational culture positively and significantly influences organizational readiness but does not have a direct effect on institutional transformation. This result indicates that organizational culture functions as an internal supporting mechanism that shapes employees' attitudes, values, and readiness for change. However, cultural factors alone are insufficient to directly translate into institutional transformation outcomes without strong leadership direction and effective implementation strategies.

Third, organizational communication has a positive and significant effect on institutional transformation, whereas its influence on organizational readiness is not significant. This finding suggests that communication within the Instituto de Defesa Nacional Timor-Leste primarily facilitates the implementation of transformation policies, clarifies institutional objectives, and aligns organizational members with strategic directions. However, communication practices do not necessarily translate into increased psychological readiness for change among employees.

Furthermore, the mediation analysis confirms that organizational readiness does not mediate the relationships between transformational leadership, organizational culture, organizational communication, and institutional transformation. This indicates that, in the studied institutional context, transformation is predominantly driven by direct leadership actions and effective communication mechanisms rather than through readiness as an intervening variable.

Overall, this study concludes that transformational leadership and organizational communication are the primary drivers of institutional transformation in defense-related public organizations. Organizational culture and organizational readiness play supportive roles by strengthening internal conditions, but they do not function as decisive or mediating factors in the transformation process. These findings underscore the contextual nature of institutional transformation in hierarchical and policy-driven public institutions, where direct leadership influence and structured communication are central to achieving organizational change.

5.2 Recommendations

Based on the conclusions of this study, several practical recommendations are proposed to support and sustain the institutional transformation of the Instituto de Defesa Nacional Timor-Leste.

First, institutional leaders should continue to strengthen transformational leadership practices by investing in leadership development programs, fostering visionary and participatory leadership

behaviors, and empowering employees across organizational levels. Given the strong direct influence of transformational leadership on institutional transformation, leadership capacity building should remain a strategic priority to ensure the continuity and effectiveness of transformation initiatives.

Second, efforts to develop an adaptive and supportive organizational culture should be intensified. The Instituto de Defesa Nacional Timor-Leste is encouraged to promote organizational values that emphasize innovation, learning, collaboration, and openness to change. Although organizational culture does not directly drive institutional transformation, it plays an important role in shaping internal readiness and supporting long-term organizational sustainability.

Third, organizational communication strategies should be further enhanced to ensure greater transparency, consistency, and clarity. Strengthening internal communication channels, feedback mechanisms, and coordination processes can help reinforce leadership-driven transformation efforts and improve alignment among organizational members during periods of change.

Finally, policymakers and institutional leaders should view organizational readiness as a complementary condition rather than the primary mechanism of institutional transformation. Since organizational readiness does not function as a mediating pathway in this study, future transformation strategies should prioritize direct leadership actions and effective communication while continuing to cultivate readiness as a contextual factor that supports the stability and sustainability of institutional transformation.

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Author Profile



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His academic work focuses on issues related to institutional transformation and organizational readiness, particularly within defense-related and higher education institutions. This study is derived from his master's research and emphasizes the application of quantitative methods and Partial Least Squares–Structural Equation Modeling (PLS-SEM) in organizational change studies