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THE EFFECT OF MARKET ATTRACTIVENESS AND COMPANY CAPABILITY ON EMERGENT VALUE CREATION STRATEGY AND SUSTAINABILITY COMPANY PERFORMANCE (A STUDY OF DIGITAL INDUSTRY SERVICE COMPANIES IN JAKARTA)

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Abstract

This study examines how market conditions and organizational capability are translated into sustainability-oriented performance, with Emergent Value Creation Strategy (EVCS) considered as a mediating process. The data were obtained from 50 owners and managers of digital creative service firms operating within a telecommunications incubation ecosystem in Jakarta. A quantitative explanatory approach was applied, and the higher-order measurement and mediation model was estimated using partial least squares structural equation modeling. The results show that both Market Attractiveness and Company Capability are positively associated with EVCS. Company Capability also has a significant direct relationship with Sustainability Company Performance, while EVCS records the largest direct coefficient for that outcome. Market Attractiveness, however, does not significantly affect performance through a direct path. Its effect is transmitted through EVCS, whereas the effect of Company Capability is only partly mediated. These findings indicate that an attractive market creates possibilities rather than assured results. Economic, social, and environmental performance becomes more likely when market insight is supported by usable resources and stakeholder-oriented routines involving dialogue, access, risk assessment, and transparency. The study contributes to research on digital service firms by explaining emergent value creation as the process through which external opportunity and internal capability are connected with multidimensional sustainability performance.

1. INTRODUCTION

Digital service companies operate in an environment characterized by rapid obsolescence of technologies, platforms influencing customer reach, and easy flow of data and complementary services between organizations. Increasing demand alone does not provide the company with any guarantee of sustained success. The company has to perceive business-relevant changes, mobilize the necessary resources, and continually renew the value provided to customers, partners, employees, and other stakeholders (Amit & Zott, 2020; Teece, 2019).

The framework adopted here makes a distinction between the market opportunity and the ability of the firm to capitalize on it. Market Attractiveness covers opportunities and challenges arising from market power, competitiveness, and customer reach. Company Capability concerns the available resource, such as distribution channels, human resources, management information system, marketing expertise, and research and development.

Even if both these conditions are favorable, their impact will be rather limited if the firm fails to develop these conditions into a sustainable pattern emerging through trial and error, stakeholder engagement, and learning. Such a process is called Emergent Value Creation Strategy (EVCS) in this article (Mintzberg & Waters, 1985; Prahalad & Ramaswamy, 2004).

The context of Jakarta makes it a suitable ground for studying this phenomenon. Digital service companies in Jakarta function in a fiercely competitive environment where quick imitation takes place and the challenge of product-market fit must be proved in the shortest time with very few resources. There are clear examples of such challenges from national statistics. As of 2024, only 26% of the Indonesian MSMEs had moved to digital platforms according to the government report (Ministry of Communication and Informatics of the Republic of Indonesia, 2024a). Another official statistic showed that Indonesia needed around nine million digital talents by 2030 while the current annual supply was only 100,000-200,000 people (Ministry of Communication and Informatics of the Republic of Indonesia, 2024b).

Previous studies on digital creative companies in Java have explored the relationship between market attractiveness and distinctive capability with the approach to collaboration and traditional performance measures. A finding that stands out in this literature is the impact that market attractiveness has on performance via the route of collaboration and not via a significant direct channel (Lizardo & Colline, 2023). This study extends the above argument in another way. Collaboration is substituted by EVCS, stakeholder engagement is measured by the DART criteria, and performance is evaluated through economic, social, and environmental aspects.

In light of this background, the main issue is clear: when does the combination of market opportunity and firm capabilities lead to sustainable performance? This issue has been tackled in the article through the test of the EVCS model, with a comparison between market-based and capability-based paths to performance.

2. LITERATURE REVIEW

2.1 Theoretical and Conceptual Background

Industrial Organization Theory places the origin point outside the organization. Structure of the industry, competition, access to buyers, and market power outline the set of strategic alternatives that managers have (Porter, 1980; Aaker & McLoughlin, 2020). Market Attractiveness becomes the external context in the current framework. A favorable market environment can expand the set of options, even though it can attract new competitors and speed up imitation. Therefore, it is more reasonable to consider it a sphere of opportunities rather than a guarantee of success.

Resource-Based Theory shifts the focus on the resources and skills that an organization can use. The resources are more likely to lead to advantage when they are valuable, rare, and organized (Barney, 1991; Barney & Hesterly, 2019). Dynamic Capability Theory builds upon the previous theory by providing the explanation of the way companies perceive changes, select opportunities and reorganize their resources in the conditions of uncertainty (Teece et al., 1997; Teece, 2019). In this case, Company Capability serves as the basis from which companies adapt to changes and take action.

EVCS is associated with dynamic capabilities, yet the two are not synonymous terms. Dynamic capabilities refer to the organization's ability to re-create or reconfigure the resource base of the organization. EVCS, on the other hand, is defined as the strategic configuration that emerges through the co-creation of value between the organization and its stakeholders over time. The concept is captured in dialogue, access, risk assessment, and transparency under the DART model proposed by Prahalad & Ramaswamy (2004). It is important to note that an organization may be able to re-configure its resource base without necessarily engaging its stakeholders in an open process of value creation. Sustainable company performance is presented as the end result in terms of Triple Bottom Line outcomes (Elkington, 1997).

The above perspectives have been presented in such a way that they form an interconnected narrative instead of being merely a list of disconnected theories. The perspective of Industrial Organization Theory talks about the external opportunity environment. The Resource-Based View highlights the internal resources of the firm, whereas Dynamic Capability Theory talks about the renewal and reconfiguration of those resources. Emergent Strategy Theory speaks about the pattern formed by action and learning, Value Co-Creation Theory talks about the stakeholders' practice in that pattern, and the Triple Bottom Line is about the multi-dimensional performance.

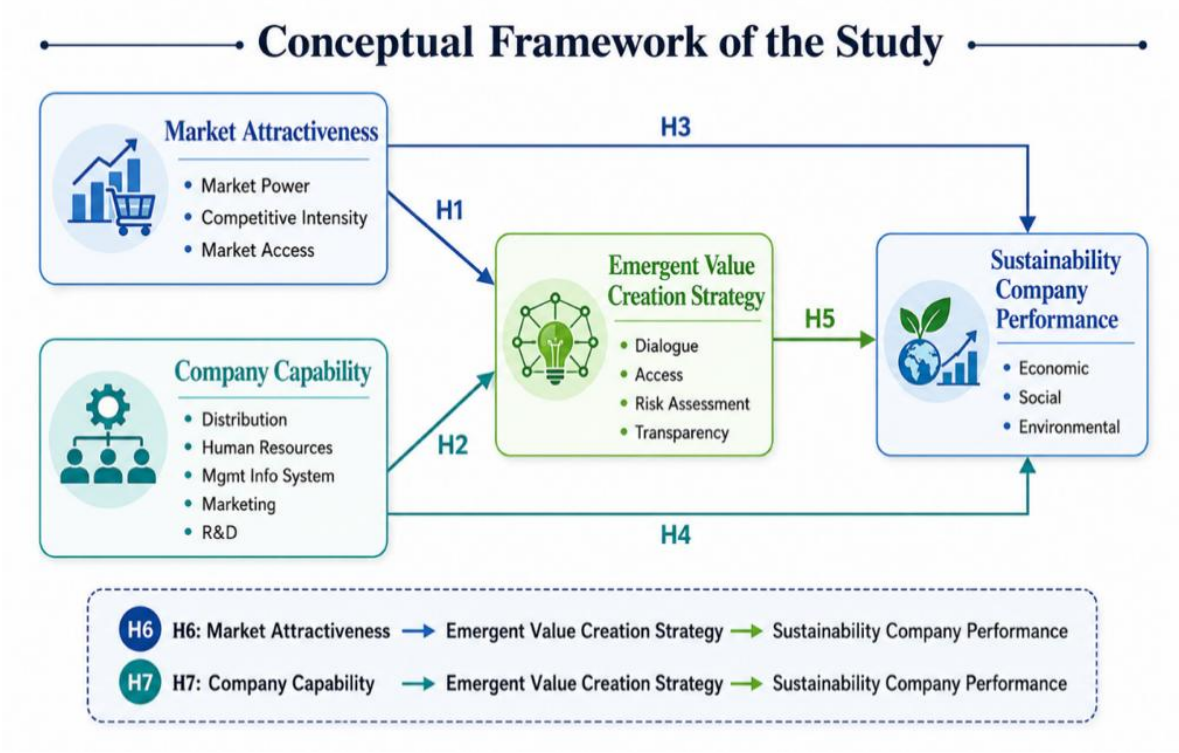

Figure 1. Integrated Conceptual Model

Note. Solid arrows denote direct hypotheses; H6 and H7 denote indirect paths through Emergent Value Creation Strategy.

2.2 Empirical Review and Hypothesis

Available evidence is not sufficient for concluding that an attractive market leads to superior performance. In the Java-based digital creative industry, the level of market attractiveness correlated positively with the degree of collaboration but did not have any statistically significant effect on the performance of firms (Lizardo & Colline, 2023). Therefore, there is a need for an intervention process strategy. Increased demand, greater customer reach, and new innovation opportunities may motivate the organizations to try out things, but competition and imitation will eat away at their advantage.

Internal capability findings tend to be more consistent though the evidence varies depending on the environment. Resource and innovation capabilities enhance the quality of decisions, organizational learning, and execution processes, leading to improved performance (Valaei et al., 2022). In the platform ecosystem, however, the resources cannot create value automatically; the companies also have to coordinate the complementors and address the conflict of value creation and value capture (Schreieck et al., 2021). There is therefore a foundation for analyzing Company Capability as an antecedent of performance and EVCS.

The literature on value co-creation delivers a similar lesson. Relational and systems capacities can affect performance through collaboration (Mulyana et al., 2022), and studies on emergent strategy have found that successful patterns for value creation are frequently acquired via interaction rather than planned in advance (Grimbert et al., 2024). EVCS is thus conceived of in this paper as a strategic approach, and not just a communicative one, in which market opportunity and internal capacity can be linked to sustainability results.

These two mediation paths are not assumed to function in precisely the same way. Market Attractiveness is external to the organization and must be processed by EVCS before affecting performance. On the other hand, Company Capacity can affect operating results directly, as well as the activities whereby stakeholders co-create value.

- H1: Market Attractiveness is positively related to Emergent Value Creation Strategy.
- H2: Company Capability is positively related to Emergent Value Creation Strategy.
- H3: Market Attractiveness is positively related to Sustainability Company Performance.
- H4: Company Capability is positively related to Sustainability Company Performance.
- H5: Emergent Value Creation Strategy is positively related to Sustainability Company Performance.
- H6: Emergent Value Creation Strategy mediates the relationship between Market Attractiveness and Sustainability Company Performance.
- H7: Emergent Value Creation Strategy mediates the relationship between Company Capability and Sustainability Company Performance.

3. RESEARCH METHODOLOGY

The study adopted a quantitative explanatory design to test the proposed direct and indirect relationships. Data were collected through a structured questionnaire using a five-point agreement scale ranging from 1 (strongly

disagree) to 5 (strongly agree). The items represented Market Attractiveness, Company Capability, EVCS, and Sustainability Company Performance through the dimensions presented in the conceptual framework.

The firm served as the unit of analysis. Respondents were owners or managers with sufficient knowledge of their firm's market conditions, resources, strategic practices, and performance. Because no complete sampling frame was available for the incubation population, purposive sampling was used. The final dataset contained 50 usable responses from digital creative service firms in Jakarta. This number is above the traditional ten-times rule: the most complex endogenous construct receives three incoming paths, which would imply a minimum of 30 observations. The rule is nevertheless only a rough guide, and power-based procedures may produce more demanding requirements. The estimates are consequently treated as exploratory and should be replicated with a larger sample (Kock & Hadaya, 2018; Hair et al., 2022).

PLS-SEM was estimated in SmartPLS 4.0 because the model is prediction-oriented, contains higher-order constructs, and includes mediation. The measurement assessment included loadings, Cronbach's alpha, composite reliability, and average variance extracted (AVE). Discriminant validity was checked based on the Fornell-Larcker criterion and cross-loadings. The structural assessment took into consideration path coefficients, bootstrapped standard errors, t-statistic, p-value, R^2, f^2, and Q^2. Though Heterotrait-Monotrait Ratio (HTMT) is known as a more sensitive method to check discriminant validity (Henseler et al., 2015), there was no archived HTMT matrix in the output of SmartPLS software for this revision. As a consequence, HTMT values are not presented here.

Human Resources and Management Information Systems two dimensions of the Company Capability were measured by one global item in the original survey. Such an approach allowed reducing the respondent burden and keeping the conceptual aspect. The values of loading, alpha, composite reliability, and AVE that equal 1.000 are a consequence of using one-item measures, but they should not be considered as a perfect measure. Two dimensions were kept in the original model, but the results should be discussed carefully as the limitations.

4. RESULT AND DISCUSSION

4.1 Result

4.1.1 Measurement Model

Measurement model assessment came before structural model analysis. Convergent validity was assessed on the basis of both the indicator loadings and AVE. Internal consistency for multiple-item constructs was assessed using Cronbach's alpha and composite reliability. Loadings near .70, reliability values above .70, and AVE above .50 were used as practical reference points rather than rigid pass-or-fail cut-offs (Hair et al., 2022).

Table 1 indicates that the multi-item measures perform satisfactorily. All reported loadings were above .50 and statistically different from zero. Cronbach's alpha and composite reliability exceeded .70, while AVE was greater than .50. The values of 1.000 reported for the two single-item dimensions are a consequence of their specification and do not demonstrate error-free reliability. Interpretation of those dimensions depends largely on content validity and is therefore more cautious.

Table 1. Measurement Model: Convergent Validity and Reliability

Variable	Dimension / Indicator	Loading	SD	t	p	α	CR	AVE
Market Attractiveness	Market Attractiveness -> Market power	0.949	0.010	90.666	< .001	0.771	0.856	0.601
	MA1 <- Market power	0.809	0.029	27.803	< .001			
	MA2 <- Market power	0.784	0.027	29.420	< .001			
	MA3 <- Market power	0.616	0.060	10.206	< .001			
	MA4 <- Market power	0.869	0.022	39.919	< .001			
	Market Attractiveness -> Competitive intensity	0.906	0.017	52.351	< .001	0.769	0.829	0.617
	MA5 <- Competitive intensity	0.811	0.028	29.079	< .001			
	MA6 <- Competitive intensity	0.744	0.038	19.543	< .001			
	MA7 <- Competitive intensity	0.800	0.029	27.503	< .001			
	Market Attractiveness -> Market access	0.955	0.008	112.378	< .001	0.747	0.841	0.570
	MA8 <- Market access	0.814	0.029	28.172	< .001			
	MA9 <- Market access	0.723	0.037	19.667	< .001			
	MA10 <- Market access	0.774	0.033	23.214	< .001			
	MA11 <- Market access	0.703	0.046	15.381	< .001			
Company Capability	Company Capability -> Distribution	0.900	0.017	52.020	< .001	0.792	0.830	0.710
	CAP1 <- Distribution	0.856	0.017	49.170	< .001			
	CAP2 <- Distribution	0.829	0.023	36.416	< .001			
	Company Capability -> Human Resources	0.728	0.042	17.365	< .001	1.000	1.000	1.000
	CAP3 <- Human Resources	1.000	0.000	-	< .001			
	Company Capability -> Management information systems	0.763	0.034	22.319	< .001	1.000	1.000	1.000

Variable	Dimension / Indicator	Loading	SD	t	p	α	CR	AVE
	CAP4 <- Management information systems	1.000	0.000	-	< .001			
	Company Capability -> Marketing	0.871	0.019	45.077	< .001	0.733	0.882	0.789
	CAP5 <- Marketing	0.891	0.017	52.075	< .001			
	CAP6 <- Marketing	0.885	0.019	47.553	< .001			
	Company Capability -> R&D	0.937	0.011	86.645	< .001	0.738	0.851	0.657
	CAP7 <- R&D	0.823	0.029	28.540	< .001			
	CAP8 <- R&D	0.762	0.039	19.312	< .001			
	CAP9 <- R&D	0.844	0.026	32.923	< .001			
Emergent Value Creation Strategy	Emergent Value Creation Strategy -> Dialogue	0.894	0.013	68.716	< .001	0.832	0.922	0.856
	VCS1 <- Dialogue	0.933	0.009	108.058	< .001			
	VCS2 <- Dialogue	0.917	0.013	73.341	< .001			
	Emergent Value Creation Strategy -> Access	0.872	0.018	48.762	< .001	0.756	0.891	0.804
	VCS3 <- Access	0.904	0.012	72.591	< .001			
	VCS4 <- Access	0.890	0.020	44.673	< .001			
	Emergent Value Creation Strategy -> Risk Assessment	0.896	0.015	59.347	< .001	0.795	0.867	0.766
	VCS5 <- Risk Assessment	0.862	0.018	47.207	< .001			
	VCS6 <- Risk Assessment	0.888	0.014	62.005	< .001			
	Emergent Value Creation Strategy -> Transparency	0.928	0.010	91.427	< .001	0.783	0.863	0.759
	VCS7 <- Transparency	0.868	0.020	44.209	< .001			
	VCS8 <- Transparency	0.875	0.017	52.286	< .001			
Sustainability Company Performance	Sustainability Company Performance -> Economic performance	0.988	0.002	432.814	< .001	0.954	0.960	0.647
	SCPerf1 <- Economic performance	0.800	0.027	29.980	< .001			
	SCPerf2 <- Economic performance	0.847	0.022	38.983	< .001			
	SCPerf3 <- Economic performance	0.770	0.031	25.195	< .001			
	SCPerf4 <- Economic performance	0.726	0.035	20.915	< .001			
	SCPerf5 <- Economic performance	0.786	0.025	31.721	< .001			
	SCPerf6 <- Economic performance	0.769	0.029	26.083	< .001			
	SCPerf7 <- Economic performance	0.775	0.030	25.889	< .001			
	SCPerf8 <- Economic performance	0.867	0.022	40.100	< .001			
	SCPerf9 <- Economic performance	0.803	0.029	27.265	< .001			
	SCPerf10 <- Economic performance	0.806	0.023	34.584	< .001			
	SCPerf11 <- Economic performance	0.880	0.018	49.542	< .001			
	SCPerf12 <- Economic performance	0.822	0.026	32.039	< .001			
	SCPerf13 <- Economic performance	0.793	0.027	29.658	< .001			
	Sustainability Company Performance -> Environmental performance	0.942	0.008	111.514	< .001	0.866	0.909	0.714
	SCPerf14 <- Environmental performance	0.881	0.014	62.941	< .001			
	SCPerf15 <- Environmental performance	0.852	0.017	50.031	< .001			
	SCPerf16 <- Environmental performance	0.781	0.029	26.755	< .001			
	SCPerf17 <- Environmental performance	0.863	0.027	31.670	< .001			
	Sustainability Company Performance -> Social performance	0.958	0.012	80.804	< .001	0.893	0.913	0.539
	SCPerf18 <- Social performance	0.664	0.050	13.322	< .001			
	SCPerf19 <- Social performance	0.812	0.032	25.599	< .001			
	SCPerf20 <- Social performance	0.754	0.030	25.261	< .001			
	SCPerf21 <- Social performance	0.724	0.051	14.128	< .001			
	SCPerf22 <- Social performance	0.732	0.042	17.627	< .001			
	SCPerf23 <- Social performance	0.743	0.029	25.696	< .001			
	SCPerf24 <- Social performance	0.724	0.050	14.495	< .001			
	SCPerf25 <- Social performance	0.710	0.049	14.603	< .001			
	SCPerf26 <- Social performance	0.736	0.046	15.958	< .001			

Source: Author (2026)

Note. Decimal separators were standardized to periods. Source: SmartPLS 4.0 output (2026).

Discriminant validity was initially examined with the Fornell-Larcker criterion. Under this criterion, the square root of a construct's AVE should exceed its correlations with other constructs in the model (Fornell & Larcker, 1981).

The results in Table 2 satisfy this condition. The diagonal values are larger than the related off-diagonal correlations. For instance, the square roots of AVE are .897 for Access and .959 for Company Capability, and both values exceed their correlations with alternative constructs. This pattern suggests that each measure shares more variance with its own construct than with the other constructs.

Cross-loadings were used as an additional item-level check. Table 3 shows that each indicator has its largest loading on the construct to which it was assigned. The primary loadings range from .711 to .809 for Company Capability, .744 to .868 for EVCS, .670 to .791 for Market Attractiveness, and .643 to .884 for Sustainability Company Performance.

The combination of all tests confirms empirically the separation of the four major constructs and represents an appropriate foundation for the estimation of the structural model. The only exception is that the lack of HTMT figures in the stored output does not allow using correlations from Table 2 as a replacement of HTMT test.

Table 2. *Discriminant Validity Using the Fornell–Larcker Criterion*

		1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19
Access	1	0.897																		
Company Capability	2	0.634	0.959																	
Competitive intensity	3	0.556	0.635	0.786																
Dialogue	4	0.638	0.550	0.505	0.925															
Distribution	5	0.628	0.700	0.556	0.538	0.843														
Economic performance	6	0.569	0.601	0.496	0.537	0.543	0.804													
Emergent Value Creation Strategy	7	0.672	0.679	0.582	0.694	0.633	0.641	0.800												
Environmental performance	8	0.529	0.527	0.456	0.511	0.496	0.714	0.593	0.845											
Human Resources	9	0.359	0.728	0.458	0.403	0.483	0.425	0.479	0.350	1.000										
Management information systems	10	0.442	0.763	0.444	0.241	0.618	0.319	0.399	0.263	0.507	1.000									
Market Attractiveness	11	0.499	0.616	0.706	0.573	0.539	0.507	0.594	0.436	0.446	0.411	0.923								
Market power	12	0.406	0.546	0.780	0.547	0.490	0.494	0.530	0.420	0.399	0.329	0.749	0.975							
Market access	13	0.458	0.563	0.604	0.554	0.481	0.439	0.563	0.357	0.405	0.396	0.755	0.668	0.955						
Marketing	14	0.588	0.671	0.528	0.524	0.633	0.485	0.616	0.426	0.549	0.511	0.513	0.475	0.448	0.888					
R&D	15	0.586	0.737	0.641	0.522	0.772	0.650	0.657	0.570	0.696	0.727	0.629	0.548	0.592	0.702	0.810				
Risk Assessment	16	0.715	0.603	0.443	0.763	0.531	0.637	0.696	0.529	0.462	0.373	0.483	0.439	0.474	0.471	0.637	0.875			
Social performance	17	0.604	0.569	0.476	0.503	0.527	0.712	0.629	0.665	0.358	0.373	0.456	0.430	0.381	0.463	0.592	0.619	0.934		
Sustainability Company Performance	18	0.591	0.598	0.499	0.539	0.547	0.788	0.649	0.742	0.406	0.336	0.495	0.477	0.421	0.484	0.639	0.632	0.758	0.964	
Transparency	19	0.787	0.654	0.583	0.796	0.575	0.561	0.728	0.562	0.496	0.382	0.572	0.505	0.529	0.626	0.621	0.746	0.536	0.571	0.871

Source: Author (2026)

Table 3 provides the cross-loadings matrix, where the loading of each item on its intended construct is compared with the loading achieved by the other main constructs.

Table 3. Cross-Loadings

Indicator	CC	EVCS	MA	SCP
CAP1	0.787	0.522	0.523	0.388
CAP2	0.727	0.546	0.380	0.541
CAP3	0.728	0.479	0.446	0.406
CAP4	0.763	0.399	0.411	0.336
CAP5	0.784	0.556	0.456	0.482
CAP6	0.764	0.538	0.454	0.377
CAP7	0.754	0.501	0.452	0.533
CAP8	0.711	0.531	0.565	0.574
CAP9	0.809	0.565	0.516	0.456
VCS1	0.521	0.868	0.550	0.491
VCS2	0.495	0.783	0.509	0.508
VCS3	0.578	0.806	0.382	0.555
VCS4	0.559	0.757	0.517	0.503
VCS5	0.438	0.744	0.347	0.542
VCS6	0.610	0.821	0.493	0.564

Indicator	CC	EVCS	MA	SCP
VCS7	0.530	0.797	0.475	0.541
VCS8	0.610	0.820	0.521	0.456
MA1	0.357	0.322	0.751	0.377
MA2	0.443	0.374	0.719	0.320
MA3	0.415	0.432	0.670	0.334
MA4	0.476	0.511	0.791	0.438
MA5	0.498	0.493	0.717	0.478
MA6	0.433	0.470	0.701	0.292
MA7	0.563	0.408	0.717	0.404
MA8	0.398	0.428	0.749	0.222
MA9	0.479	0.499	0.715	0.435
MA10	0.388	0.355	0.740	0.297
MA11	0.439	0.420	0.675	0.323
SCPerf1	0.561	0.584	0.527	0.778
SCPerf2	0.479	0.477	0.381	0.827
SCPerf3	0.481	0.494	0.359	0.777
SCPerf4	0.461	0.427	0.420	0.692
SCPerf5	0.461	0.521	0.336	0.789
SCPerf6	0.507	0.553	0.377	0.748
SCPerf7	0.637	0.606	0.487	0.733
SCPerf8	0.535	0.599	0.472	0.884
SCPerf9	0.332	0.368	0.322	0.801
SCPerf10	0.585	0.543	0.435	0.794
SCPerf11	0.450	0.552	0.372	0.881
SCPerf12	0.431	0.495	0.455	0.807
SCPerf13	0.393	0.483	0.378	0.796
SCPerf14	0.503	0.484	0.335	0.794
SCPerf15	0.535	0.558	0.375	0.828
SCPerf16	0.284	0.448	0.289	0.781
SCPerf17	0.450	0.512	0.474	0.778
SCPerf18	0.515	0.455	0.503	0.655
SCPerf19	0.562	0.580	0.472	0.798
SCPerf20	0.510	0.560	0.470	0.767
SCPerf21	0.472	0.469	0.279	0.645
SCPerf22	0.315	0.332	0.168	0.725
SCPerf23	0.536	0.531	0.352	0.726
SCPerf24	0.278	0.443	0.253	0.688
SCPerf25	0.277	0.376	0.307	0.643
SCPerf26	0.260	0.379	0.179	0.655

Source: Author (2026)

Note. CC = Company Capability; EVCS = Emergent Value Creation Strategy; MA = Market Attractiveness; SCP = Sustainability Company Performance.

In all rows, the planned loadings are the highest. The structure is consistent with the hypothesis that the measures measure their respective constructs and not an overall unstructured factor.

4.1.2 Structural Model

The structural model was evaluated in terms of explanatory power, predictive relevance, effect size, and the bootstrapped path estimates. R^2 represents the proportion of variance explained in an endogenous construct, f^2 indicates the incremental contribution of an exogenous construct, and Q^2 provides an indication of predictive

relevance. The reported global Goodness-of-Fit value is included only as supplementary information because it does not replace construct-level or predictive diagnostics.

Market Attractiveness and Company Capability together account for 51.1% of the variance in EVCS (R^2 = .511). After EVCS is included, the three predictors explain 47.1% of the variance in Sustainability Company Performance (R^2 = .471). Q^2 is positive for both endogenous constructs (.528 and .537), which indicates predictive relevance within the estimated model.

Table 4. Structural Model Quality Indicators

Metric	Construct	Value	Interpretation
R^2	Emergent Value Creation Strategy	.511	Moderate explanatory power
R^2	Sustainability Company Performance	.471	Moderate explanatory power
Q^2	Emergent Value Creation Strategy	.528	Positive predictive relevance
Q^2	Sustainability Company Performance	.537	Positive predictive relevance

Note. R^2 and Q^2 values are reported for the endogenous constructs. The supplementary Goodness-of-Fit index was .348. Source: SmartPLS 4.0 output (2026).

Source: Author (2026)

On the whole, the model demonstrates modest explanatory power and positive predictive relevance. The additional GoF value is .348. The whole higher order model is depicted in Figure 2, while the results of path test are represented in Table 5.

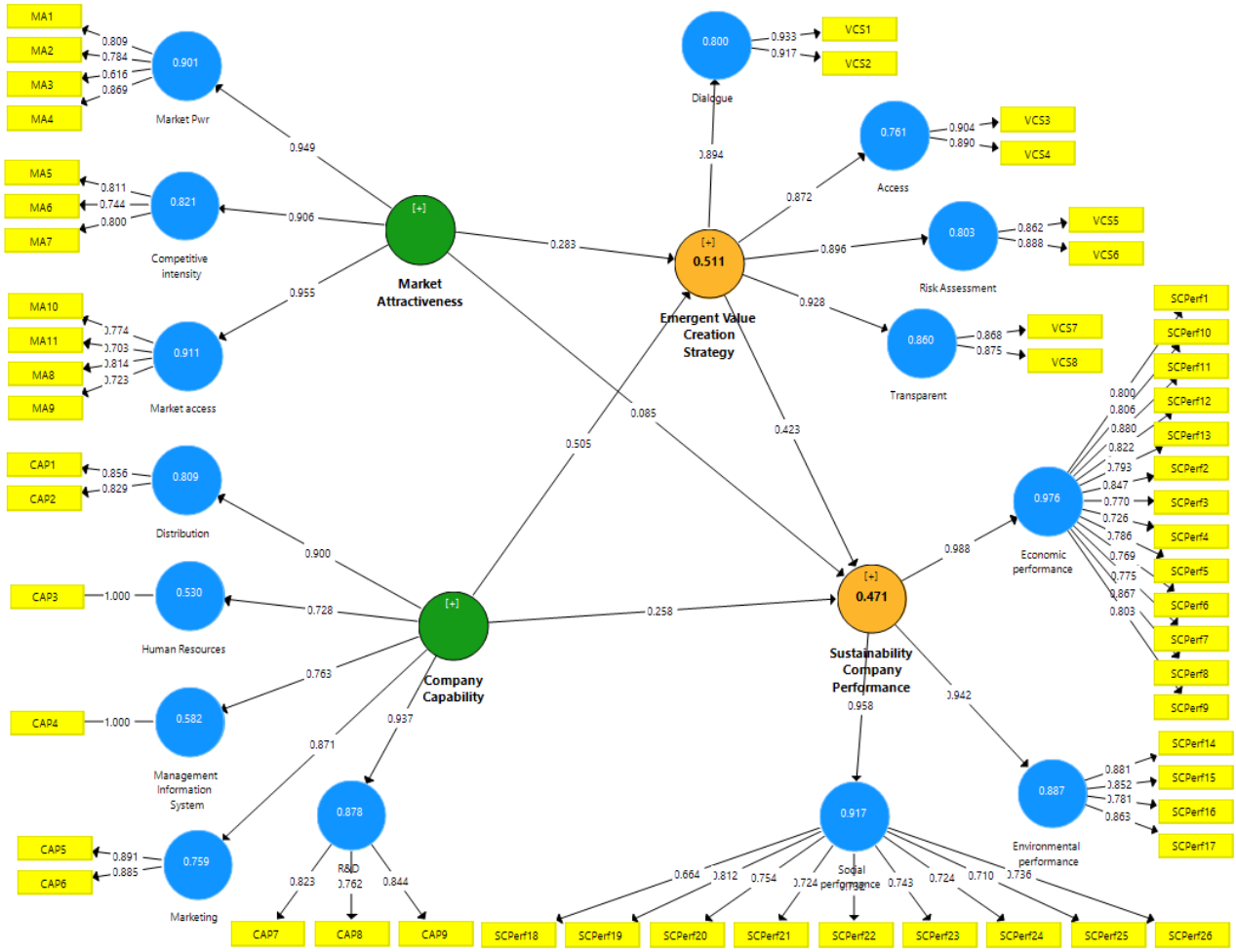

Figure 2. PLS-SEM Path Model Results

Source: Author (2026)

Note. Green circles represent exogenous higher-order constructs, orange circles represent endogenous higher-order constructs, blue circles represent first-order dimensions, and yellow boxes represent observed indicators.

Figure 2 shows the SmartPLS model, which allows viewing the higher-order construct, its dimensions, and the indicator variables.

The percentage of explained variance is just above one-half for EVCS and just below one-half for Sustainability Company Performance. While this information is interesting, for an exploratory model based on owner-manager perception data, generalization of these figures to other companies is premature without additional replication of the study.

Company Capability has the highest path coefficient to EVCS (β = .505). EVCS, in turn, is the most influential direct predictor of Sustainability Company Performance (β = .423). There is positive correlation between Market

Attractiveness and EVCS (β = .283), whereas the direct relationship between Market Attractiveness and performance is rather weak (β = .085). There is a direct relationship between Company Capability and Sustainability Company Performance (β = .258).

The loadings shown in Figure 2 are in line with what has been reported in tables 1-3. Considering the sample and measurement limitations mentioned earlier, it suffices to say that the measurement results are adequate to interpret the structural coefficients.

4.1.3 Hypothesis Tests

Hypothesis significance was assessed through bootstrapping using a two-tailed threshold of $p < .05$. Standardized coefficients, standard errors, t-statistics, p-values, and decisions are reported in Table 5.

Table 5. Hypothesis Testing Results

Hyp.	Structural Path	β	SE	t	p	Decision
H1	Market Attractiveness → Emergent Value Creation Strategy	.283	.108	2.627	.009	Supported
H2	Company Capability → Emergent Value Creation Strategy	.505	.099	5.095	< .001	Supported
H3	Market Attractiveness → Sustainability Company Performance	.085	.096	.884	.377	Not supported
H4	Company Capability → Sustainability Company Performance	.258	.096	2.698	.007	Supported
H5	Emergent Value Creation Strategy → Sustainability Company Performance	.423	.098	4.324	< .001	Supported
H6	Market Attractiveness → Emergent Value Creation Strategy → Sustainability Company Performance	.120	.054	2.210	.028	Supported (full mediation)
H7	Company Capability → Emergent Value Creation Strategy → Sustainability Company Performance	.214	.060	3.576	< .001	Supported (partial mediation)

Note. Two-tailed significance criterion: $p < .05$. Source: SmartPLS 4.0 output (2026).

Source: Author (2026)

Six of the seven hypotheses are supported. Market Attractiveness is positively associated with EVCS (β = .283, t = 2.627, p = .009), providing support for H1. The coefficient from Company Capability to EVCS is larger (β = .505, t = 5.095, p < .001), and H2 is also supported.

H3 is not supported. The direct relationship between Market Attractiveness and Sustainability Company Performance is small and statistically non-significant (β = .085, t = .884, p = .377). By contrast, Company Capability has a significant positive direct relationship with performance (β = .258, t = 2.698, p = .007), supporting H4. EVCS is likewise positively related to performance (β = .423, t = 4.324, p < .001), which supports H5.

Both the indirect effects are significant. The indirect effect of the relationship between Market Attractiveness and EVCS through performance is β = .120 (t = 2.210, p = .028), confirming H6. Since the corresponding direct effect is not significant, the interpretation of this relationship is as indirect-only, or full mediation. The indirect effect of Company Capability on EVCS is β = .214 (t = 3.576, p < .001), confirming H7. Since the direct effect of Company Capability remains significant, it can be viewed as complementary partial mediation.

In addition, VAF was also estimated in order to clarify the size of the mediation effect. The values of VAF are 58.5% for Market Attractiveness and 45.3% for Company Capability. This is descriptive information. Mediation is defined based on the combination of significance of the direct and indirect relationships, rather than based on VAF cut-off points.

Thus, the structural results show that Company Capability is the most important antecedent of EVCS, whereas EVCS is the largest direct predictor of Sustainability Company Performance.

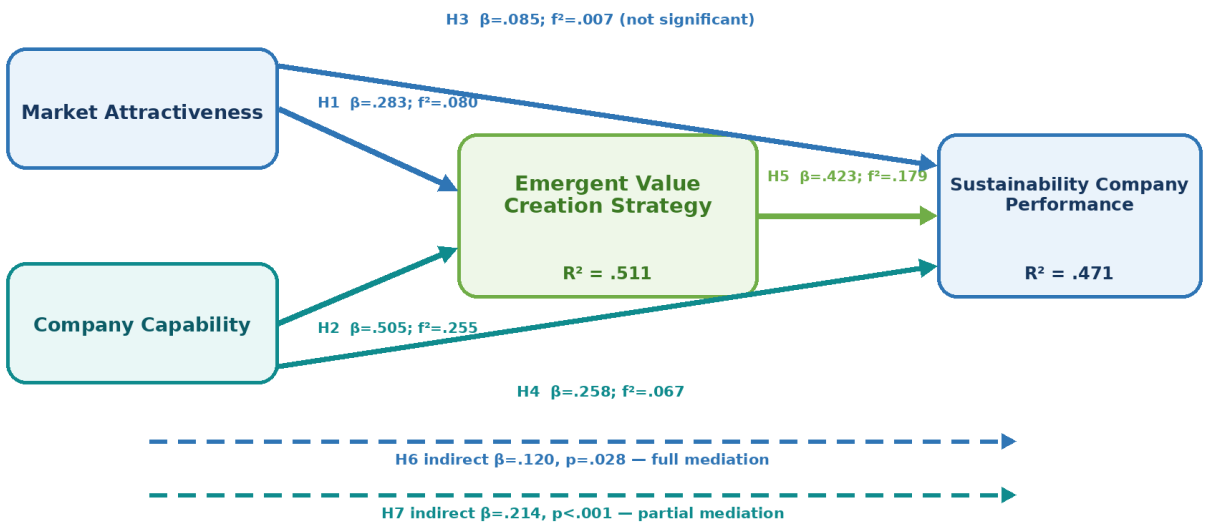

Figure 3. *Structural Relationships and Effect Sizes*
Source: Author (2026)

Note. Solid arrows show direct effects; dashed arrows summarize significant indirect effects and their mediation interpretation.

Figure 3 summarizes the effect sizes for coefficients. In the case of EVCS, the most significant effect is that of Company Capability (β = .505; f² = .255). On the other hand, Market Attractiveness produces a positive effect but with smaller effect size (β = .283; f² = .080).

As far as Sustainability Company Performance is concerned, the most significant effect is that produced by EVCS (β = .423; f² = .179). This is followed by the effect of Company Capability (β = .258; f² = .067), which is statistically significant. Market Attractiveness produces the least effect (β = .085; f² = .007).

The chart also points to the distinct mediation relationships. Market Attractiveness mediates performance through EVCS, while Company Capability mediates performance both directly and through EVCS.

4.2 Discussion

4.2.1 Market Attractiveness and Emergent Value Creation Strategy

H1 support suggests that the market's attractiveness affects the digital service firms' search and integration of sources of value. The demand potential and access to customers motivate the firm to experiment with new offers, whereas competition stimulates a faster learning process. Thus, market attractiveness seems to drive strategic experimentation instead of simply offering a favorable environment (Aaker & McLoughlin, 2020; Kotler & Keller, 2022).

Such interpretation corresponds with Emergent Strategy Theory. When the market moves quickly, the strategic plan, developed at one particular point in time, will be unable to forecast the reactions of both consumers and competitors. An effective strategy can be formed through actions, feedback, and the selective continuation of useful practices (Mintzberg & Waters, 1985).

Under the current approach, the emerging pattern will be articulated via dialogue, access, risk evaluation, and transparency. These practices incorporate market information into product and service decisions, permit stakeholders to have an impact on the offer, and render the experimental risks explicit. As a result, value will be co-negotiated with stakeholders in terms of price or product alone (Meirelles, 2019; Grimbert et al., 2024).

The outcome will help explain the role of Market Attractiveness within the wider picture. Market attractiveness produces signals, choices, and opportunities. What will determine whether the opportunities increase performance will be how well the company responds.

Practically speaking, market intelligence must be linked to controlled experiments, service innovation, partner feedback, and observable feedback from stakeholders. It is good to have a positive prediction, but this in itself does not constitute a performance intervention.

4.2.2 Company Capability and Emergent Value Creation Strategy

Company Capability is the predictor with the greatest influence on EVCS. The result is an indication that the adaptive and collaborative process of value creation faces limitations not only in terms of ideas, but also in terms of the ability of companies to engage people, information, distribution channels, marketing knowledge and developmental capabilities once such ideas have been generated.

The finding is in agreement with the Resource-Based View. Distribution contracts, competent employees, reliable information systems, marketing competence and R&D are the operational resources that can be used to

change and deliver value (Barney, 1991; Barney & Hesterly, 2019). Such contribution depends on the coordination and intentional use, not on ownership.

Another theory to explain the finding is Dynamic Capability Theory. With the possibility of recombination of resources with less delay, the organizations will be in a better position to detect changes in the demand, make commitments to selected areas, and change their processes/services. Studies on digital and platform environments have found that capability contributes to value through recombination and co-creation (Teece, 2019; Schreieck et al., 2021).

This also helps maintain the distinction conceptually between Company Capability and EVCS. While Company Capability relates to what the company can do with its resources, EVCS relates to how the stakeholder engagement process evolves and uses them. A company may have the resources but lack communication and transparency; on the other hand, the intention to engage and co-create may be aspirational if the company lacks capability.

Therefore, capability building must be done systematically. The digital assets, competency building, analytics, marketing and innovation governance efforts will need common goals and responsibilities and learning processes that allow the company to change its offer to its stakeholders.

4.2.3 Market Attractiveness and Sustainability Company Performance

The lack of evidence for H3 is also theoretically significant. While the size and accessibility of a market may lead to an increased number of opportunities, they do not decide who will take these opportunities and whether their success will be sustainable in economic, social, and environmental terms. Industry conditions create the playing field; managerial decisions and capabilities determine what takes place in the playing field (Porter, 1980; Aaker & McLoughlin, 2020).

There are several possibilities to explain the observed results in Jakarta's digital services market. High demand can result in more competition, which means thin margins and a reduced time period in which the unique value proposition works. Companies also have different ages; an older firm can endure the volatility when the younger one cannot. Market forecasts may go stale by the time resources are invested, and reliance on dominating platforms can ensure customers' reach while leaving little control over prices and data.

The indirect impact of Market Attractiveness through the EVCS explains this seeming paradox. Market Attractiveness is an important factor but the value of this construct is contingent upon how it is interpreted, tested, and coordinated among different stakeholders. Similar findings have been observed in the digital creative industry in Java where market attractiveness impacted performance via collaboration instead of directly (Lizardo & Colline, 2023).

Thus, it behooves managers to be careful about using the market size, platform traffic, and category growth as sole measures of strategic excellence. More pertinent is whether there is a viable mechanism by which the company can transform these indicators into unique value creation.

4.2.4 Company Capability and Sustainability Company Performance

Evidence in favor of H4 suggests that Company Capability influences sustainability-driven performance, independent of EVCS. Companies having greater capabilities in terms of their people, information systems, marketing, distribution, and development are more likely to increase efficiency, ensure quality of service delivery, develop new offers, and consider stakeholder needs in decision-making (Barney & Hesterly, 2019; Valaei et al., 2022).

The direct link can be explained in terms of daily operations. Information systems lead to more timely and effective decisions. The competence of staff decreases the likelihood of mistakes in implementation and helps introduce innovations. Marketing capability leads to a better match between an offer and demand, whereas R&D makes it possible to renew offers in time.

Most of these assets are intangible in knowledge-based digital companies. The value of these resources manifests itself through learning rates, quality of coordination, and the coherent response capacity.

The measures of capability should, therefore, capture both immediate operational impact and longer-term indications of renewal, sustainability, and value delivery. An investment that boosts operations but does not increase the learning and adaptive capacities may only produce a short-term gain.

4.2.4 Emergent Value Creation Strategy and Sustainability Company Performance

EVCS is the most important direct determinant of Sustainability Company Performance, which confirms H5. There are better chances of sustainable results if organizations continually adapt their value proposition and involve stakeholders in its adaptation process. Communication contributes to increased mutual understanding, accessibility lowers entry and usage barriers, risk management makes people aware of the potential consequences of cooperation, and transparency builds trust and accountability (Prahalad & Ramaswamy, 2004).

Emergent strategy is particularly applicable in cases of digital services because the changing needs of customers, available technologies, and business models cannot always be foreseen before the completion of a long-range strategy plan. Strategy emerges based on limited experiments, lessons learnt from the experience, and replication of successful practice.

Moreover, co-creation expands the concept of performance. Combining organizational resources with the knowledge of stakeholders may yield revenues while making services more relevant, trustworthy, inclusive, or efficient. Empirical literature links relational capabilities and co-creation activities with business performance outcomes (Mulyana et al., 2022).

The practical recommendation is that co-creation should be included in product development, service design and delivery, feedback system, partnership management, and performance measurement. Co-creation should not be limited only to one-time workshops or customer engagement campaigns.

4.2.5 The Mediating Role of EVCS: Market Attractiveness

The indirect-only mediation in H6 gives the most detailed description of how an external opportunity gets translated into performance. Markets with potential become sources of information, need satisfaction, and potential paths for development. EVCS translates such potential opportunities into actions that can be tested, modified, and assessed by relevant parties (Mintzberg & Waters, 1985).

Due to the fact that there is no direct influence on performance, market potential seems to stay mostly untapped by companies that do not translate needs into action, experiment with the offer, coordinate partner participation, or make terms of exchange clear.

Thus, market potential selection becomes secondary to what happens after it – the routine of value creation determines whether an opportunity will be taken advantage of.

One possible course of action here is to link market sensing with rapid experimentation loops, interaction with customers, partnership, and the consideration of economic, social, and environmental implications.

VAF measure provides descriptive context to the significance tests results. Indirect influence of .120 is 58.5% of Market Attractiveness effect (.120 + .085). As the direct path is statistically insignificant, the article identifies the relationship as indirect-only mediation and does not rely on the VAF threshold alone.

4.2.6 The Mediating Role of EVCS: Company Capability

The H7 shows two related paths for moving from Company Capability to performance. First, certain gains come about by virtue of the increased efficiency and innovations that result. The remaining gains derive from the fact that an enhanced capability helps achieve better stakeholder interaction and value creation process adaptation (Barney, 1991; Teece, 2019).

The indirect coefficient exceeds the market-based indirect one, which highlights the need for an internal capability foundation. Talent, technology, information, marketing, and research capabilities become even more valuable when they are based on communication, access, risk sharing, and transparency.

The management of capability building and value creation strategy cannot be seen as independent endeavors. Capability tells us what can be done; EVCS shows how it is done.

In terms of Company Capability, VAF of 45.3% is derived from an indirect impact of .214 and total impact of .472 (.214+.258). Mediating impact size here is quite large, whereas the significance of the remaining direct impact indicates partial complementarity of the mediation.

The management can use this finding to assign every capability-building effort to a specific value-creation goal, stakeholder role, customer interaction pattern, and sustainability metric. This helps organizations achieve immediate operational gains without ignoring the adaptive and relational components required for future performance.

4.2.7 Theoretical and Managerial Implications

The theory building is in linking together theories that are traditionally separated. MA identifies where the opportunities can possibly appear, CC is the set of resources for taking action, while EVCS explains how and when opportunities and resources transform into value creation for stakeholders. The variety of mediator paths makes the theory more differentiated than the one relying only on direct links.

The management recommendation is also integrative. Rather than communicating static information about market conditions, market sensing teams need to collaborate with teams that deal with capabilities. Cross functional teams can use client interactions, access to services, risk sharing, and transparent information to conduct experiments. Investment in people, technology, marketing, and R&D needs to be evaluated not only in terms of volume, but also in terms of economic, social, and environmental results.

4.2.8 Limitations and Future Research

Limitations should be considered when interpreting the results. The data collected is cross-sectional, purposive sampling, and limited to only 50 respondents from one city and one incubation ecosystem. The design allows us to associate variables and make predictions but not to claim causality. Even though the sample size satisfies the basic heuristics used in PLS-SEM analysis, it is relatively small according to power-based rules. Besides, self-reports of managers can suffer from common method bias and social desirability bias. Moreover, two dimensions were estimated with a single item, and HTMT table was not saved in the output.

Future research could involve large samples from multiple cities, repeated measures or longitudinal design, and objective measures for the economic, social, and environmental performance. Single-item dimensions have to be substituted with multi-item dimensions. Discriminant validity would be better supported by reporting HTMT values with their bootstrapped confidence intervals, along with the Fornell-Larcker criterion and cross-loadings. Future

comparative studies can investigate whether turbulence, firm age, platform dependency, innovation maturity, or ecosystem governance moderates the relations observed in this model.

5. CONCLUSION

The results offer a qualified response to the research question. Market Attractiveness and Company Capability have positive relationships with EVCS, while only the latter exhibits a statistically significant direct effect on Sustainability Company Performance. EVCS is the main direct predictor of the criterion variable. Overall, six hypotheses were confirmed, with the one-to-one relationship between Market Attractiveness and company performance being the only exception.

Mediation effects are the key empirical contribution of the study. EVCS mediates the relationship between Market Attractiveness via an indirect-only mechanism, while part of the Company Capability effect is mediated by EVCS complementarily. As such, market opportunity translates into value creation when organizations transform it into flexible and stakeholder-oriented practices. On the other hand, Company Capability plays an even wider role, since it contributes to company performance not only by means of its operational strength, but also through its application.

Implications for management emerge from the above results but must not be exaggerated. It is apparent that there is need for a closer integration of market sensing, capabilities building, and co-creation activities, but not all investments in technology, people, marketing, and R&D will contribute towards sustainability. Efforts should focus on those investments that could be connected with dialogue, access, risk assessment, transparency, and tangible impacts on the economy, society, and environment.

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