

**The Impact of Digitalization Strategy Adoption and Digital Transformation on
Sustainable Business Performance:
The Roles of Market-Driven Business Model Innovation and Digital Leadership
Capabilities in Indonesia**



THESIS

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JAKARTA

2026

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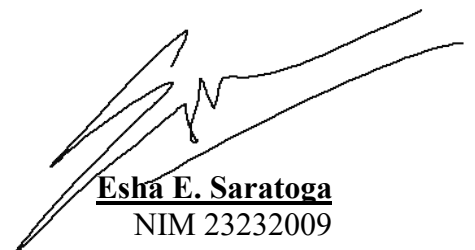
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This thesis is a presentation of my original research work. Wherever contributions of others are involved, every effort has been made to indicate this clearly, with due reference to the literature and acknowledgement of collaborative research and discussions.

Also, this work is being submitted in partial fulfillment of the requirement for the Master of Business Administration degree and has not previously been accepted in substance for any degree and is not being concurrently submitted in candidature for any degree.

Jakarta, 26 August 2026



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A THESIS

**Submitted in partial fulfillment of the requirements for the degree of Master
of Business Administration**

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ACKNOWLEDGEMENT

The author would like to express gratitude for the grace that has enabled the accomplishment of all endeavors. Following that, acknowledgement is extended to those who have contributed to the completion of this thesis. The author sincerely and modestly acknowledges:

- Advisor Dr. Ir. Amelia Naim Indrajaya, MM. for always reminding me of the completion of this thesis.
- The management, faculty of members, and staff of IPMI for their unwavering support throughout the MBA program, providing valuable knowledge, and experiences,
- All friends in the MBA class of March 2024, who have shared unforgettable memories, stories, experience, and encouragement throughout the author's academic journey.
- The author's academic journey has been significantly bolstered by the unwavering support, affection, and motivation provided by their parents and family. Their sacrifices, coupled with their steadfast belief in the author's capabilities, have been instrumental in reaching this important achievement.
- Other contributors to the completion of this thesis, who, though not individually mentioned, are recognized for their significant roles in the process.

ABSTRACT

Digitalization strategy adoption and digital transformation have become strategic priorities for organizations seeking to improve sustainable business performance. However, limited research explains how digital initiatives translate into sustainable outcomes through market-driven business model innovation and digital leadership capabilities, particularly in Indonesian publicly listed companies, state-owned enterprises, and their subsidiaries. This study examines the effects of Digitalization Strategy Adoption (DSA), Digital Transformation (DT), Market-Driven Business Model Innovation (MDBMI), and Digital Leadership Capabilities (DLC) on Sustainable Business Performance (SBP), using data from 316 valid respondents and analyzing the model through Partial Least Squares Structural Equation Modeling (PLS-SEM). The findings show that DSA, DT, MDBMI, and DLC directly contribute to SBP, while DSA and DT do not significantly influence MDBMI, and MDBMI does not mediate the relationships between DSA, DT, and SBP. In addition, DLC has a positive direct effect on SBP but a significant negative moderating effect on the MDBMI - SBP relationship, suggesting a possible substitution effect that may be explained through situational leadership, team readiness, delegation, and leadership driven execution. Overall, this study contributes to the digital transformation and sustainability literature by identifying an organizational silo phenomenon, where digital strategy, digital transformation, business model innovation, and digital leadership contribute to sustainable performance through separate pathways rather than as one fully integrated capability system.

Keywords: *Digitalization Strategy Adoption; Digital Transformation; Market-Driven Business Model Innovation; Digital Leadership Capabilities; Sustainable Business Performance*

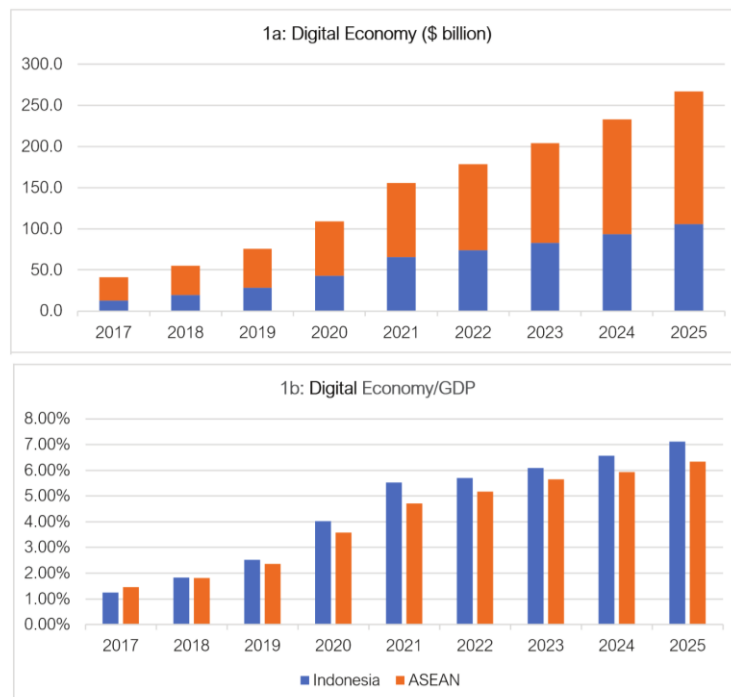
CHAPTER 1

INTRODUCTION

1.1 Background of the Study

Indonesia stands as Southeast Asia's largest and most dynamic digital economy, undergoing an unprecedented acceleration of technological adoption across both private and public sectors. Fueled by rapidly expanding internet penetration, a young and digitally literate demographic, and sustained inflows of foreign direct investment into digital infrastructure, the country's digital economy reached an estimated USD 82 billion in gross merchandise value in 2023 and is projected to surpass USD 130 billion by 2025 (ERIA, 2023). Despite this impressive trajectory, the translation of digital investment into sustainable, long-term business performance remains far from automatic and in many cases, remains elusive.

Figure 1.1 Digital Economy Growth and Contribution to GDP in Indonesia and ASEAN (2017-2025)



Source: ERIA (2023)

At the macro level, Indonesia's digital ambitions are reflected in government driven programs such as Making Indonesia 4.0, the National Digital Transformation Roadmap, and the acceleration of digital services within State-Owned Enterprises (BUMN). However, implementation realities reveal a persistent gap between strategic intent and organizational outcomes. Many publicly listed companies (Tbk) and BUMNs have invested substantially in digital systems, cloud infrastructure, and automation, yet continue to report fragmented execution, siloed digital initiatives, and limited long-term performance improvements (Vial, 2019; Warner & Wäger, 2019).

Compounding this challenge is a rapidly evolving sustainability agenda. Indonesia's Financial Services Authority (OJK) has issued regulations mandating ESG (Environmental, Social, and Governance) disclosure for listed companies, while global institutional investors and supply chain partners increasingly require demonstrable sustainability performance as a precondition for capital allocation and business engagement. This convergence of digital transformation imperatives and sustainability pressures creates both a strategic opportunity and an organizational challenge: firms must learn not only to digitalize, but to digitalize sustainably embedding economic, environmental, and social objectives into the very architecture of their business models.

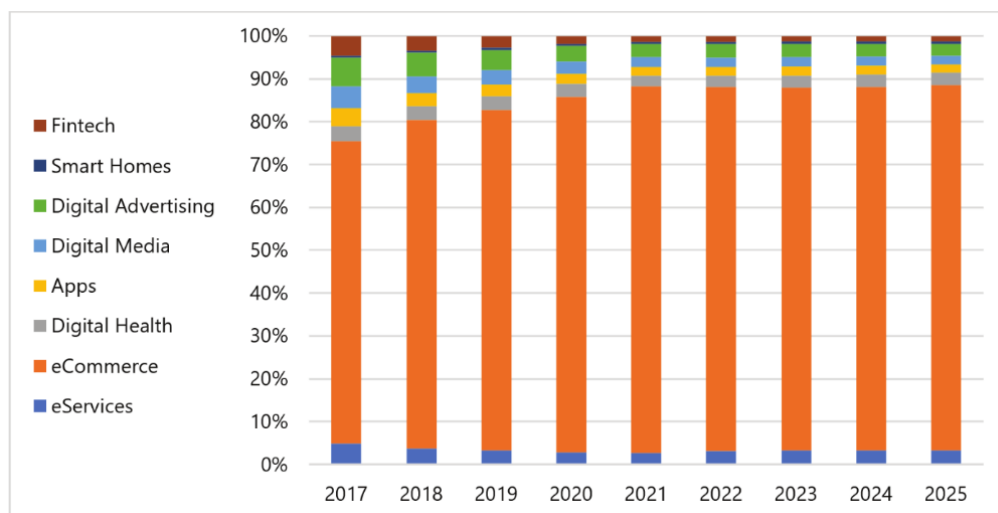


Figure 1.2 Indonesia's Digital Business Ecosystem and Outlook
Source: Statista (2022)

Theoretical literature offers an important explanatory lens. Dynamic Capabilities Theory (Teece, Pisano, & Shuen, 1997; Teece, 2007) argues that sustained competitive advantage in volatile environments depends not on the possession of resources per se, but on an organization's capacity to sense emerging opportunities, seize them through strategic commitment, and transform internal processes and Business Models accordingly. Applied to the digital-sustainability nexus, this framework suggests that Digitalization Strategy Adoption (DSA) and Digital Transformation (DT) represent distinct digital-related capabilities that must be translated into Market-Driven Business Model Innovation (MDBMI) before sustainable performance gains can be realized.

Yet empirical literature reveals persistent gaps. Most existing studies treat DSA and DT as interchangeable constructs or examine their effects on performance directly, without adequately modelling the intermediate transformation mechanisms specifically, Business model reconfiguration through which digital capabilities are converted into sustainable value. Furthermore, studies examining these relationships in emerging market contexts, and particularly within the institutional specificities of Indonesian publicly listed firms and BUMNs, remain limited (Chen et al., 2024). The moderating role of leadership in conditioning these relationships adds a further dimension that is insufficiently theorized and empirically tested.

This study therefore examines not only whether digital strategy and digital transformation lead to sustainable business performance through Market-Driven Business Model Innovation, but also whether they directly contribute to sustainable performance outcomes.

1.2 Research Problem

The problem is not merely whether digitalization improves sustainable business performance, but whether digital strategy, digital transformation, business model innovation, and digital leadership operate as an integrated capability chain or as separate organizational pathways.

Three interrelated problems underline this gap. First, digitalization is frequently implemented as a collection of discrete technological projects rather than as a coherent, strategically aligned transformation. Organizations may adopt enterprise resource planning (ERP) systems, digital customer interfaces, or data analytics platforms in isolation, without integrating these investments into a reconfigured value proposition or revised Business Model. The result is operational efficiency gains that are real but narrow, and that fail to generate the systemic, sustainability-oriented performance improvements increasingly demanded by stakeholders and regulators. Second, the mediating role of business model innovation in converting digital capability into sustainable performance remains underappreciated and under-researched in the Indonesian context. Firms may possess strong digital strategies and execute meaningful transformation initiatives, yet fail to redesign how they create, deliver, and capture value in ways that are genuinely responsive to evolving market demands and ESG expectations. Without Market-Driven Business Model Innovation (MDBMI) as an intermediate transformation stage, digital initiatives may remain operationally beneficial but strategically shallow.

Third, leadership capabilities represent a critical but often overlooked moderating factor. Digital transformation and business model redesign are inherently cross functional and organizationally disruptive processes. Without leaders who possess digital vision, governance capability, change management skills, and cultural stewardship to guide these transitions, even well-conceived digital strategies and innovative business models may fail to deliver their intended performance outcomes. Although organizations may adopt digital strategies and implement digital transformation initiatives, it remains unclear whether these initiatives generate Sustainable Business Performance (SBP) directly, indirectly through Market Driven Business Model Innovation (MDBMI) or through fragmented and separate organizational pathways.

1.3 Research Questions

Based on the research problem described above, this study aims to answer the following research questions:

1. Does Digitalization Strategy Adoption (DSA) have a positive effect on Market-Driven Business Model Innovation (MDBMI)?
2. Does Digital Transformation (DT) have a positive effect on Market-Driven Business Model Innovation (MDBMI)?
3. Does Market-Driven Business Model Innovation (MDBMI) have a positive effect on Sustainable Business Performance (SBP)?
4. Does Digitalization Strategy Adoption (DSA) have a positive direct effect on Sustainable Business Performance (SBP)?
5. Does Digital Transformation (DT) have a positive direct effect on Sustainable Business Performance (SBP)?
6. Does Market-Driven Business Model Innovation (MDBMI) mediate the relationship between Digitalization Strategy Adoption (DSA) and Sustainable Business Performance (SBP)?
7. Does Market-Driven Business Model Innovation (MDBMI) mediate the relationship between Digital Transformation (DT) and Sustainable Business Performance (SBP)?
8. Do Digital Leadership Capabilities (DLC) moderate the relationship between Market-Driven Business Model Innovation (MDBMI) and Sustainable Business Performance (SBP)?

1.4 Research Objectives

Based on the research questions, the objectives of this study are as follows:

1. To examine the effect of Digitalization Strategy Adoption (DSA) on Market-Driven Business Model Innovation (MDBMI).
2. To examine the effect of Digital Transformation (DT) on Market-Driven Business Model Innovation (MDBMI).
3. To examine the effect of Market-Driven Business Model Innovation (MDBMI) on Sustainable Business Performance (SBP).

4. To examine the direct effect of Digitalization Strategy Adoption (DSA) on Sustainable Business Performance (SBP).
5. To examine the direct effect of Digital Transformation (DT) on Sustainable Business Performance (SBP).
6. To examine the mediating role of Market-Driven Business Model Innovation (MDBMI) in the relationship between Digitalization Strategy Adoption (DSA) and Sustainable Business Performance (SBP).
7. To examine the mediating role of Market-Driven Business Model Innovation (MDBMI) in the relationship between Digital Transformation (DT) and Sustainable Business Performance (SBP).
8. To examine the moderating role of Digital Leadership Capabilities (DLC) in the relationship between Market-Driven Business Model Innovation (MDBMI) and Sustainable Business Performance (SBP).

1.5 Scope of Study

This study focuses on the relationship between Digitalization Strategy Adoption (DSA), Digital Transformation (DT), Market-Driven Business Model Innovation (MDBMI), Digital Leadership Capabilities (DLC), and Sustainable Business Performance (SBP) in the Indonesian organizational context. Specifically, the study examines how Digitalization Strategy Adoption (DSA) and Digital Transformation (DT) influence Sustainable Business Performance (SBP) both directly and indirectly through Market-Driven Business Model Innovation (MDBMI).

The scope of this study is limited to Indonesian State-Owned Enterprises (BUMN), subsidiaries of BUMN, and publicly listed companies (Tbk). These organizations were selected because they are commonly exposed to digital transformation initiatives, sustainability demands, governance requirements, and performance pressures from stakeholders and regulators.

The respondents of this study are mid to senior level managers and decision makers who are expected to have sufficient knowledge of organizational strategy, digital transformation initiatives, business model innovation, leadership practices, and sustainable business performance. The study uses quantitative cross sectional survey

design and analyzes the data using Partial Least Squares Structural Equation Modeling (PLS-SEM).

The study is limited to five main constructs: Digitalization Strategy Adoption (DSA), Digital Transformation (DT), Market-Driven Business Model Innovation (MDBMI), Digital Leadership Capabilities (DLC), and Sustainable Business Performance (SBP). It examines direct effects, mediating effects, and moderating effects among these constructs. The study does not examine sector specific differences in depth, nor does it assess changes over time because the data were collected at one point in time.

1.6 Relationship with and Value Added to Previous Research

This study synthesizes and extends multiple streams of prior research, as summarized in Table 1.1.

Table 1.1. Summary of Related Previous Research

Author(s)	Focus	Key Variables	Limitation Addressed by This Study
Chen et al. (2024)	DT & Sustainability Performance	DT, BMI, DLC, SBP	This study adds DSA as antecedent and tests full moderated mediation
Warner & Wäger (2019)	Dynamic Capabilities & DT	Dynamic capabilities, DT	No MDBMI mediator or DLC moderation; no Indonesian context
Vial (2019)	Digital Transformation Review	DT, organizational change	Conceptual; no empirical testing of sustainability outcomes
Bharadwaj et al. (2013)	Digital Business Strategy	IT strategy, firm performance	Predates ESG integration; no business model innovation mechanism
Kane et al. (2019)	Digital Leadership	Leadership, digital maturity	Leadership studied in isolation; no moderated mediation model

Author(s)	Focus	Key Variables	Limitation Addressed by This Study
Foss & Saebi (2017)	BMI Research Review	BMI, competitive advantage	No link to digital transformation or sustainability context
Teece (2007)	Dynamic Capabilities Theory	Sensing, seizing, transforming	Foundational theory; no empirical testing in digital–sustainability nexus
Hadi & Baskaran (2021)	Sustainable Performance	Culture, sustainable performance	No DSA/DT constructs; Malaysian, not Indonesian, context

***Note:** DT = Digital Transformation; BMI = Business Model Innovation; DSA = Digitalization Strategy Adoption; MDBMI = Market-Driven Business Model Innovation; DLC = Digital Leadership Capabilities; SBP = Sustainable Business Performance.*

This study builds on previous research on digitalization strategy, digital transformation, business model innovation, digital leadership, and sustainable business performance. Prior studies have generally examined the role of digital transformation in improving firm performance, the contribution of business model innovation to sustainability, or the importance of digital leadership in supporting organizational change. However, these relationships are often examined separately and are still limited in the context of Indonesian state-owned enterprises, subsidiaries of BUMN, and publicly listed companies.

Previous research suggests that digital strategy and digital transformation can improve organizational performance by enhancing operational efficiency, decision-making capability, customer responsiveness, and innovation capacity. Other studies also argue that business model innovation is an important mechanism through which digital capabilities can be converted into long term value creation and sustainable performance. However, the extent to which digitalization strategy adoption and digital transformation directly and indirectly influence sustainable business

performance through Market-Driven Business Model Innovation (MDBMI) remains insufficiently understood, particularly in emerging market and state-influenced organizational contexts.

This study adds value to previous research by integrating Digitalization Strategy Adoption (DSA), Digital Transformation (DT), Market-Driven Business Model Innovation (MDBMI), Digital Leadership Capabilities (DLC), and Sustainable Business Performance (SBP) into one comprehensive empirical model. Unlike studies that focus only on direct performance outcomes or only on mediation mechanisms, this study examines both direct and indirect pathways. Specifically, it investigates whether Digitalization Strategy Adoption (DSA) and Digital Transformation (DT) influence Sustainable Business Performance (SBP) directly, and whether these relationships are mediated by Market-Driven Business Model Innovation (MDBMI).

The study also contributes by examining the moderating role of Digital Leadership Capabilities (DLC) in the relationship between Market-Driven Business Model Innovation (MDBMI) and Sustainable Business Performance (SBP). This is important because Digital Transformation (DT) and Market Driven Business Model Innovation (MDBMI) are not only technological or strategic processes, but also leadership dependent processes that require vision, coordination, governance, and organizational alignment.

The main value added to this study lies in its identification of the organizational silo phenomenon. The findings show that Digitalization Strategy Adoption (DSA), Digital Transformation (DT), Market Driven Business Model Innovation (MDBMI), and Digital Leadership Capability (DLC) may contribute to Sustainable Business Performance (SBP) through separate pathways. However, Digitalization Strategy Adoption (DSA) and Digital Transformation (DT) do not necessarily translate into Market Driven Business Model Innovation (MDBMI). This suggests that organizations may gain direct performance benefits from digital initiatives, while still failing to integrate those initiatives into business model redesign.

Therefore, this study extends previous research by showing that the key challenge is not only whether digitalization improves sustainable business performance, but whether digital capabilities are integrated into a coherent capability chain. In the Indonesian BUMN and Tbk context, the findings suggest that digital strategy, digital transformation, business model innovation, and digital leadership may exist within organizations, but they may operate in silos rather than as an integrated transformation system.

1.6.1 Novelty of the Study

The novelty of this study lies in its integrated examination of Digitalization Strategy Adoption, Digital Transformation, Market-Driven Business Model Innovation, Digital Leadership Capability (DLC), and Sustainable Business Performance (SBP) within the context of Indonesian publicly listed companies, state owned enterprises, and state-owned enterprise subsidiaries. While previous studies have examined digital transformation, business model innovation, digital leadership, and sustainability performance separately, limited research has investigated how these constructs operate together in an emerging market and state-linked organizational context.

This study contributes to the literature by testing both direct and indirect pathways from digital strategy and digital transformation to Sustainable Business Performance (SBP). Specifically, this study examines whether Market Driven Business Model Innovation (MDBMI) functions as a mediating mechanism and whether Digital Leadership Capability (DLC) strengthens the relationship between business model innovation and Sustainable Business Performance (SBP). By doing so, this research extends prior studies that primarily focus on the direct relationship between digital transformation and firm performance.

The empirical findings reveal that Digitalization Strategy Adoption (DSA), Digital Transformation (DT), Market Driven Business Model Innovation (MDBMI), and Digital Leadership Capability (DLC) contribute to Sustainable Business Performance (SBP) through separate pathways. However, the expected mediation effects of Market Driven Business Model Innovation (MDBMI) and the positive moderating

role of Digital Leadership Capability (DLC) are not significant. This finding introduces the organizational silo phenomenon as an important theoretical insight, suggesting that digital strategy, digital transformation, business model innovation, and digital leadership may exist within organizations but are not yet fully integrated into one coherent transformation capability system.

Furthermore, the significant negative moderation effect of Digital Leadership Capability (DLC) provides an additional novelty. The finding suggests that strong digital leadership may function as a substitute rather than an amplifier of Market Driven Business Model Innovation (MDBMI) in driving Sustainable Business Performance (SBP). This interpretation is significant by the situational leadership perspective, which highlights the role of team readiness, delegation, and leadership-driven execution in shaping performance outcomes.

1.7 Significance of Study

1.7.1 Theoretical Significance

This study provides theoretical and practical significance in understanding how digitalization strategy, digital transformation, business model innovation, and digital leadership capabilities contribute to sustainable business performance.

From a theoretical perspective, this study contributes to the literature on Dynamic Capabilities Theory by examining both direct and indirect pathways between digital capabilities and sustainable business performance. The study shows that Digitalization Strategy Adoption (DSA) and Digital Transformation (DT) may directly influence Sustainable Business Performance (SBP), while Market-Driven Business Model Innovation (MDBMI) also serves as an important direct driver of sustainable performance. However, the insignificant effects of Digitalization Strategy Adoption (DSA) and Digital Transformation (DT) on Market-Driven Business Model Innovation (MDBMI) indicate that digital capabilities do not automatically lead to business model redesign.

The value added to this study lies in its identification of the organizational silo phenomenon. The findings suggest that Digitalization Strategy Adoption (DSA),

Digital Transformation (DT), Market Driven Business Model Innovation (MDBMI), and Digital Leadership Capability (DLC) may contribute to Sustainable Business Performance (SBP) through separate pathways rather than as one integrated capability chain. This extends previous research by showing that the challenge is not only whether digital initiatives improve performance, but whether they are effectively integrated into business model innovation and sustainability-oriented transformation.

1.7.2 Managerial Significance

From a managerial perspective, this study provides insights for executives and decision makers in Indonesian BUMN, BUMN subsidiaries, and publicly listed companies. The findings suggest that digital strategy and digital transformation can generate direct performance benefits, but these benefits may remain limited if they are not connected to Market Driven Business Model Innovation (MDBMI) redesign. Therefore, organizations need to strengthen cross functional integration between digital strategies, digital transformation execution, business model innovation, leadership capabilities, and sustainability objectives.

For practitioners, this study highlights the importance of moving beyond technology adoption and process digitalization. Managers should ensure that digital initiatives are translated into new value propositions, improved customer and stakeholder engagement, more adaptive revenue models, and sustainability-oriented business practices. In addition, the significant role of Digital Leadership Capabilities (DLC) indicates that leaders play an important role in aligning people, technology, processes, and innovation to support sustainable business performance.

Overall, this study is expected to contribute to both academic discussion and managerial practice by providing empirical evidence from the Indonesian organizational context. It helps explain why digital initiatives may improve sustainable performance directly but may still fail to produce integrated business model innovation when organizational functions operate in silos.

1.8 Construction of the Thesis

This thesis is organized into five chapters. Chapter 1 presents the introduction of the study, including the background, research problem, research questions, research objectives, scope of study, relationship with and value added to previous research, novelty of the study, significance of the study, and construction of the thesis. This chapter establishes the relevance of examining Digitalization Strategy Adoption (DSA), Digital Transformation (DT), Market Driven Business Model Innovation (MDBMI), Digital Leadership Capability (DLC), and Sustainable Business Performance (SBP) in the Indonesian organizational context.

Chapter 2 reviews the relevant literature and theoretical foundations of the study. It discusses Dynamic Capabilities Theory as the main theoretical lens and explains the key constructs of the study, namely Digitalization Strategy Adoption (DSA), Digital Transformation (DT), Market Driven Business Model Innovation (MDBMI), Digital Leadership Capability (DLC), and Sustainable Business Performance (SBP). This chapter also develops the research hypotheses, summarizes the proposed hypotheses, and presents the conceptual framework.

Chapter 3 explains the research methodology used in this study. It describes the research design, justification for using PLS-SEM, population and unit of analysis, sampling technique, respondent criteria, research instrument, operational definitions of variables, data collection procedure, and data analysis technique.

Chapter 4 presents empirical results and analysis. It includes the respondent profile, measurement model evaluation, common method bias assessment, structural model evaluation, model fit assessment, direct effect testing, mediation analysis, moderation analysis, importance-performance map analysis, and summary of hypothesis testing.

Chapter 5 discusses the key findings of the study in relation to the theoretical framework, prior literature, and the Indonesian organizational context. This chapter also presents the theoretical contributions, managerial implications, research limitations, future research directions, and conclusion of the study.

CHAPTER 2

LITERATURE REVIEW AND THEORETICAL FRAMEWORK

2.1 Theoretical Foundation: Dynamic Capabilities Theory

Dynamic Capabilities Theory provides the foundation for examining how digital strategy, digital transformation, business model innovation, and leadership capabilities may contribute to sustainable business performance through both direct and indirect pathways.

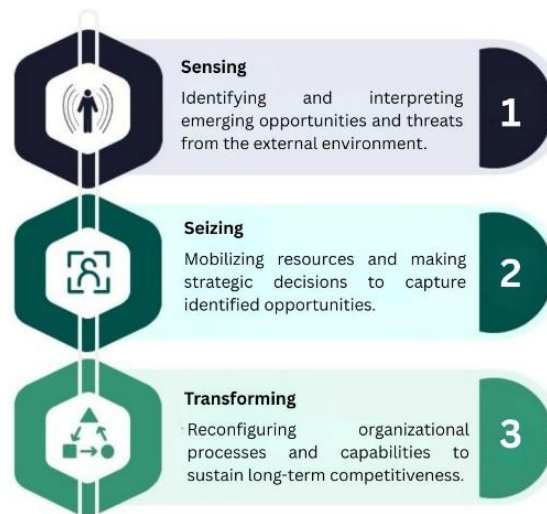


Figure 2.1 Dynamic Capabilities Framework: Sensing, Seizing, and Transforming (Adapted from Teece, 2007)

Teece (2007) conceptualizes dynamic capabilities across three interrelated dimensions. Sensing refers to the organizational capacity to identify, interpret, and evaluate emerging technological opportunities and market threats. Seizing refers to the mobilization of resources and commitment to strategic initiatives that capture identified opportunities. Transforming refers to the continuous reconfiguration of organizational assets, processes, and business models to sustain competitive advantage over time.

This tripartite framework provides the theoretical spine of the current research. Digitalization Strategy Adoption (DSA) is conceptualized as the sensing and seizing capability reflecting a firm's formal, strategic commitment to recognizing and pursuing digital opportunities. Digital Transformation (DT) operationalizes the seizing and early transforming capability, representing the firm-wide implementation

of digital technologies to redesign processes and capabilities. Market-Driven Business Model Innovation (MDBMI) embodies the transforming capability in its fullest form, representing the reconfiguration of value creation, delivery, and capturing mechanisms in response to market dynamics and sustainability demands. Digital Leadership Capabilities (DLC) function as a critical microfoundation (Teece, 2007) that enables the effective orchestration of sensing, seizing, and transforming processes. Sustainable Business Performance (SBP) is the outcome constructed, reflecting the long-term economic, environmental, and social value generated through the deployment of dynamic capabilities in a digitally disrupted environment.

2.2 Digitalization Strategy Adoption (DSA)

Digitalization Strategy Adoption refers to the formal and deliberate process by which organizations incorporate digital technologies and digital thinking into their overarching corporate strategy. Digitalization Strategy Adoption (DSA) represents a top-management-level strategic commitment to integrating digitalization into long-term goals, resource allocation decisions, governance mechanisms, and competitive positioning transcending isolated or reactive technological initiatives (Bharadwaj et al., 2013).

A well-defined Digitalization Strategy Adoption (DSA) encompasses: (1) a clearly articulated digital roadmap aligned with corporate objectives; (2) formal integration of digital initiatives into strategic planning cycles; (3) allocation of financial and human resources dedicated to digital priorities; (4) governance structures ensuring accountability and performance monitoring of digital investments; and (5) a sustained organizational orientation that treats digitalization as a strategic imperative rather than an operational add-on (Westerman et al., 2014).

Within the Dynamic Capabilities framework, Digitalization Strategy Adoption (DSA) reflects the sensing and initial seizing capability. Organizations that formally adopt digital strategies demonstrate a structured capacity to identify digital opportunities in a competitive environment and commit organizational resources to pursuing them. Critically, Digitalization Strategy Adoption (DSA) provides strategic

clarity, resource readiness, and governance direction that may support Market Driven Business Model Innovation (MDBMI).

It is important to distinguish Digitalization Strategy Adoption (DSA) from Digital Transformation (DT). Digitalization Strategy Adoption (DSA) represents strategic intent and planning the 'what' and 'why' of digital initiatives. Digital Transformation (DT) represents execution and implementation the 'how' and operational reality. This distinction is empirically meaningful: firms may adopt strong digital strategies yet fail at transformation due to capability gaps, resistance to change, or misaligned execution. Conversely, firms may implement digital technologies without strategic coherence, resulting in fragmented outcomes. This study conceptualizes Digitalization Strategy Adoption (DSA) as an antecedent of Market Driven Business Model Innovation (MDBMI). A clear digitalization strategy is expected to provide strategic direction, resource commitment, and governance support that enable organizations to redesign their business models in response to market and sustainability demands.

In addition to enabling business model innovation, Digitalization Strategy Adoption (DSA) may also directly contribute to Sustainable Business Performance (SBP) by improving strategic alignment, governance, resource allocation, digital readiness, and organizational responsiveness to sustainability demands.

2.3 Digital Transformation (DT)

Digital Transformation (DT) refers to the deep, continuous organizational change process through which firms leverage advanced digital technologies including artificial intelligence, cloud computing, big data analytics, automation, Internet of Things (IoT), and digital platforms to fundamentally redesign business processes, organizational capabilities, customer experience models, and value creation mechanisms (Vial, 2019; Verhoef et al., 2021).

Unlike Digitalization Strategy Adoption (DSA), which operates at the strategic planning level, Digital Transformation (DT) is executed at the operational and organizational level. It involves the restructuring of workflows, redefinition of roles and responsibilities, development of digital competencies across the workforce, and

reimagination of how value is delivered to customers and stakeholders. Digital Transformation (DT) is neither a one-time event nor a purely technological initiative; it is an ongoing, organization-wide transformation that reshapes competitive positioning (Verhoef et al., 2021).

Within Dynamic Capabilities Theory, Digital Transformation (DT) operationalizes the transforming dimension of the reconfiguration of organizational processes and capabilities in response to digital disruption. Firms undergoing genuine Digital Transformation (DT) develop operational agility, data-driven decision-making capacity, and structural flexibility necessary to develop innovative business models and respond dynamically to sustainability demands.

Empirical evidence consistently demonstrates that Digital Transformation (DT) enhances organizational performance through improved efficiency, cost reduction, customer satisfaction, and innovation capacity (Warner & Wäger, 2019; Chen et al., 2024). However, a critical insight from the literature is that Digital Transformation (DT) alone does not guarantee sustainable business performance. The operational and efficiency gains from Digital Transformation (DT) must be extended into the reconfiguration of the business model specifically, into Market Driven Business Model Innovation (MDBMI) for sustainable value creation to be achieved. In this study, Digital Transformation (DT) is positioned as an antecedent of Market Driven Business Model Innovation (MDBMI). Digital Transformation (DT) is expected to provide the technological infrastructure, data capability, and operational flexibility needed for firms to redesign their business models in response to market and sustainability pressures.

Table 2.1 Comparison between Digitalization Strategy Adoption (DSA) and Digital Transformation (DT)

Aspect	Digitalization Strategy Adoption (DSA)	Digital Transformation (DT)
Scope	Focuses on integrating digital technologies into corporate strategy and specific strategic initiatives	Encompasses organization-wide transformation including business models, processes, and culture

Focus	Emphasizes how digital technologies are strategically utilized to support business objectives	Emphasizes how organizations fundamentally redesign and reinvent their business
Level	Strategic level (planning and alignment)	Operational and organizational level (execution and implementation)
Aspect	Digitalization Strategy Adoption (DSA)	Digital Transformation (DT)
Timeframe	Short- to medium-term strategic planning horizon	Long-term and continuous transformation process
Goal	Enhancing efficiency, competitiveness, and customer engagement	Achieving innovation, agility, and sustained competitive advantage

Digital Transformation (DT) may directly improve Sustainable Business Performance (SBP) through operational efficiency, process automation, data driven decision-making, improved customer responsiveness, cost reduction, and better monitoring of environmental and social performance indicators.

2.4 Market-Driven Business Model Innovation (MDBMI)

Market-Driven Business Model Innovation (MDBMI) refers to the process through which firms strategically redesign their value proposition, value creation mechanisms, and value capture structures in deliberate response to evolving market demands, customer expectations, competitive dynamics, and stakeholder sustainability requirements. Unlike product or process innovation, business model innovation operates at the systemic level, reconfiguring the entire logic by which an organization creates and appropriates value (Foss & Saebi, 2017; Spieth et al., 2014).

The 'Market Driven' qualifier is significant: it anchors the innovation process not in internal technological capability alone, but in an outward orientation toward market signals, customer intelligence, ESG stakeholder expectations, and competitive repositioning. Firms that continuously monitor market dynamics and embed these

signals into strategic reconfiguration are better positioned to translate digital investments into durable competitive advantage and sustainability performance (Ma et al., 2021).

In practice, Market-Driven Business Model Innovation (MDBMI) may manifest through several pathways: redesigning value propositions to incorporate sustainability and ESG commitments; introducing new digital enabled revenue streams such as platform models, subscription services, or data monetization; restructuring supply chains for resource efficiency and transparency; developing collaborative stakeholder ecosystems; and embedding environmental and social performance metrics into business model governance.

Within Dynamic Capabilities Theory, Market Driven Business Model Innovation (MDBMI) embodies the transforming capability in its most comprehensive form. Following digital strategic orientation and digital transformation efforts, firms need to reconfigure their business models to sustain competitive advantage and generate long-term sustainability outcomes. Without this business model reconfiguration, digital transformation may produce operational gains that are real but insufficient for sustainable business performance. Empirical research supports the mediating role of BMI; for example, Chen et al. (2024) demonstrate that digital transformation enhances sustainable performance when firms translate digital capabilities into market-responsive business model innovation.

Market Driven Business Model Innovation (MDBMI) may function as a mechanism through which digital capabilities are converted into sustainable performance. However, Market Driven Business Model Innovation (MDBMI) may also independently contribute to Sustainable Business Performance (SBP) by reshaping how firms create, deliver, and capture value in response to market and sustainability demands.

2.5 Digital Leadership Capabilities (DLC)

Digital Leadership Capabilities (DLC) encompass the managerial and behavioral competencies that enable organizational leaders to effectively guide digital transformation, foster innovation cultures, align cross-functional digital initiatives

with strategic sustainability objectives, and mobilize organizational resources toward digitally enabled value creation (Hess et al., 2016; Kane et al., 2019).

Digital Leadership Capabilities (DLC) extends beyond technical digital knowledge. It encompasses strategic digital vision the ability to articulate a compelling and coherent direction for the firm's digital future; cultural stewardship fostering psychological safety, experimentation, and calculated risk-taking; technological governance ensuring accountability, transparency, and performance management of digital investments; change leadership managing organizational resistance and facilitating cross-functional collaboration; and sustainability orientation aligning digital initiatives with ESG objectives and long-term stakeholder value.

Within Dynamic Capabilities Theory, leadership functions as a critical micro foundation (Teece, 2007). The effectiveness with which organizations sense, seize, and transform opportunities depends substantially on the quality of managerial cognition, decision-making, and organizational orchestration. Strong digital leadership accelerates the translation of business model innovation into sustainable performance by ensuring adequate resource commitment, organizational learning, and institutional embedding of innovation outcomes.

Situational leadership theory provides an additional perspective for understanding the role of leadership in digital and organizational transformation. Hersey and Blanchard's situational leadership theory argues that effective leadership depends on the leader's ability to adapt leadership behavior to the readiness, maturity, and capability of followers (Hersey & Blanchard, 1969; Blank et al., 1990). When subordinates have higher readiness and capability, leaders may rely more on delegation, empowerment, and execution control rather than close directive supervision. This perspective is relevant to Digital Leadership Capabilities (DLC) because digital leaders may contribute to sustainable performance by diagnosing team readiness, delegating execution, aligning resources, and enabling capable teams to implement digital and sustainability initiatives effectively.

Critically, Digital Leadership Capabilities (DLC) does not simply initiate digital initiatives; it determines whether those initiatives particularly business model

innovations are effectively scaled, institutionalized, and sustained. Firms with strong Digital Leadership Capabilities (DLC) are better able to align innovative business models with sustainability objectives and to mobilize the organizational commitment necessary for lasting performance improvement (Kane et al., 2019; Chen et al., 2024).

Digital Leadership Capabilities (DLC) are expected to strengthen the relationship between Market Driven Business Model Innovation (MDBMI) and Sustainable Business Performance (SBP) by aligning digital initiatives, organizational resources, and sustainability-oriented execution.

2.6 Sustainable Business Performance (SBP)

Sustainable Business Performance refers to the achievement of long-term organizational success that simultaneously delivers economic prosperity, environmental stewardship, and social equity operationalized through the Triple Bottom Line (TBL) framework (Elkington, 1997). SBP extends beyond traditional financial metrics to incorporate the broader dimensions of stakeholder value creation that contemporary regulatory, investor, and societal expectations demand.

The economic dimension encompasses revenue growth, cost efficiency, profitability, and long-term financial resilience. The environmental dimension includes resource efficiency, carbon footprint reduction, waste minimization, sustainable supply chain practices, and real-time environmental monitoring enabled by digital technologies. The social dimension encompasses employee wellbeing, ethical governance, stakeholder engagement, community impact, and inclusive business practices. Taken together, these three dimensions constitute a comprehensive performance framework that is increasingly mandated by Indonesian regulatory bodies including OJK's ESG disclosure requirements and demanded by global institutional investors.

Digital technologies can meaningfully contribute to all three Sustainable Business Performance (SBP) dimensions: AI-driven analytics can optimize resource allocation and reduce waste; digital platforms can enhance supply chain transparency and stakeholder communication; automation can reduce energy consumption and improve operational efficiency. However, these contributions are conditional on the

strategic alignment, business model reconfiguration, and leadership commitment modelled in this study.

2.7 Hypothesis Development

2.7.1 Digitalization Strategy Adoption (DSA) towards Market-Driven Business Model Innovation (MDBMI) (H1)

Digitalization Strategy Adoption (DSA) refers to the extent to which an organization formally adopts digital strategy as part of its strategic direction, resource allocation, and organizational transformation agenda. In the context of dynamic capabilities, digitalization strategy reflects the organization's ability to sense digital opportunities and align digital initiatives with long term strategic objectives.

A well-developed digitalization strategy can support business model innovation by providing direction for how digital technologies should be used to create, deliver, and capture value. When digital strategy is clearly adopted at the organizational level, firms are expected to be more capable of identifying market opportunities, redesigning customer value propositions, developing digital enabled services, and adjusting revenue or partnership models. Therefore, Digitalization Strategy Adoption (DSA) is expected to stimulate Market-Driven Business Model Innovation (MDBMI).

Accordingly, the following hypothesis is proposed:

H1: Digitalization Strategy Adoption (DSA) has a positive effect on Market-Driven Business Model Innovation (MDBMI).

2.7.2 Digital Transformation (DT) towards Market-Driven Business Model Innovation (MDBMI) (H2)

Digital Transformation (DT) refers to the implementation and integration of digital technologies into organizational processes, operations, customer interfaces, and value creation activities. Unlike basic digitization, digital transformation involves broader organizational change that affects how firms operate and compete.

Digital transformation (DT) can enable Market-Driven Business Model Innovation (MDBMI) by providing the technological foundation for new forms of value creation and value delivery. Through digital platforms, data analytics, automation, and digital customer engagement, organizations can better understand market needs, improve responsiveness, and develop new business models. Digital Transformation (DT) is therefore expected to help firms reconfigure their business models in ways that are more adaptive to market demands and sustainability pressures.

Based on this reasoning, the following hypothesis is proposed:

H2: Digital Transformation (DT) has a positive effect on Market-Driven Business Model Innovation (MDBMI).

2.7.3 Market-Driven Business Model Innovation (MDBMI) towards Sustainable Business Performance (SBP) (H3)

Market-Driven Business Model Innovation (MDBMI) refers to the redesign of how firms create, deliver, and capture value in response to market needs, customer expectations, competitive dynamics, and sustainability demands. It emphasizes the role of market orientation and innovation in shaping business models that are economically viable, environmentally responsible, and socially relevant.

Business model innovation is important for Sustainable Business Performance (SBP) because it allows organizations to move beyond internal efficiency and develop new ways of generating long-term value. By redesigning value propositions, customer engagement mechanisms, operational processes, partnerships, and revenue models, firms can improve financial outcomes while also responding to environmental, social, and governance expectations. Therefore, Market-Driven Business Model Innovation (MDBMI) is expected to enhance Sustainable Business Performance (SBP).

Thus, the following hypothesis is proposed:

H3: Market-Driven Business Model Innovation (MDBMI) has a positive effect on Sustainable Business Performance (SBP).

2.7.4 Digitalization Strategy Adoption (DSA) towards Sustainable Business Performance (SBP).

Digitalization Strategy Adoption (DSA) may also contribute directly to Sustainable Business Performance (SBP). A clear digitalization strategy helps organizations align digital investment with business priorities, sustainability objectives, governance requirements, and stakeholder expectations. Strategic adoption of digitalization can improve decision-making, resource allocation, organizational responsiveness, and long-term competitiveness.

In the context of sustainable performance, digitalization strategy can support economic, environmental, and social outcomes by enabling organizations to plan digital initiatives that improve efficiency, transparency, compliance, and sustainability reporting. When digitalization is embedded in corporate strategy, organizations are more likely to use digital initiatives not only for technology modernization, but also for broader performance improvement.

Therefore, the following hypothesis is proposed:

H4: Digitalization Strategy Adoption (DSA) has a positive effect on Sustainable Business Performance (SBP).

2.7.5 Digital Transformation (DT) and Sustainable Business Performance (SBP)

Digital Transformation (DT) can directly improve Sustainable Business Performance (SBP) by enhancing operational efficiency, process integration, data-driven decision-making, customer responsiveness, and organizational agility. Through the implementation of digital systems, automation, analytics, and digital platforms, firms can reduce inefficiencies, improve service quality, strengthen monitoring, and respond more effectively to stakeholder and market demands.

Digital transformation may also support sustainability related outcomes by improving transparency, enabling better environmental and social performance monitoring, and supporting more efficient use of organizational resources. As

organizations transform their processes and operations digitally, they are expected to achieve stronger economic, environmental, and social performance.

Thus, the following hypothesis is proposed:

H5: Digital Transformation (DT) has a positive effect on Sustainable Business Performance (SBP).

2.7.6 The Mediating Role of Market-Driven Business Model Innovation (MDBMI)

Market-Driven Business Model Innovation (MDBMI) may serve as an important mechanism through which digitalization strategy and digital transformation are converted into sustainable performance outcomes. Digitalization strategy provides strategic direction, while digital transformation provides technological and operational capabilities. However, these digital capabilities may need to be translated into business model redesign before they can generate more sustainable long term value.

From the perspective of Dynamic Capabilities Theory, organizations need not only to sense and seize digital opportunities, but also to transform their business models in response to market and sustainability demands. Market-Driven Business Model Innovation (MDBMI) can therefore act as a bridge between digital capabilities and sustainable performance by converting digital strategy and transformation initiatives into new value propositions, improved delivery mechanisms, adaptive revenue models, and sustainability-oriented business practices.

Accordingly, the following hypotheses are proposed:

H6: Market-Driven Business Model Innovation (MDBMI) mediates the relationship between Digitalization Strategy Adoption (DSA) and Sustainable Business Performance (SBP).

H7: Market-Driven Business Model Innovation (MDBMI) mediates the relationship between Digital Transformation (DT) and Sustainable Business Performance (SBP).

2.7.7 The Moderating Role of Digital Leadership Capabilities (DLC)

Digital Leadership Capabilities (DLC) refer to the ability of leaders to guide digital transformation, align organizational resources, support innovation, and create a culture that enables digital and sustainable change. Digital leadership is important because business model innovation requires not only technological capability, but also strategic direction, organizational coordination, cultural readiness, and execution discipline.

The relationship between Market-Driven Business Model Innovation (MDBMI) and Sustainable Business Performance (SBP) may be strengthened when organizations possess strong digital leadership capabilities. Leaders with digital vision and change management capability can help ensure that business model innovation is implemented effectively, aligned with sustainability goals, and significant across functions. Therefore, Digital Leadership Capabilities (DLC) are expected to enhance the positive effect of Market-Driven Business Model Innovation on Sustainable Business Performance.

Thus, the following hypothesis is proposed:

H8: Digital Leadership Capabilities (DLC) positively moderate the relationship between Market-Driven Business Model Innovation (MDBMI) and Sustainable Business Performance (SBP).

The hypotheses developed in this chapter are consistent with the research hypotheses presented in Chapter 1 and are reflected in the proposed conceptual framework.

2.8 Research Hypotheses

Based on the theoretical foundation, hypothesis development, and proposed conceptual framework, this study formulates eight research hypotheses. The hypotheses examine the direct effects of Digitalization Strategy Adoption (DSA), Digital Transformation (DT), and Market-Driven Business Model Innovation (MDBMI) on Sustainable Business Performance (SBP), the mediating role of Market-Driven Business Model Innovation (MDBMI), and the moderating role of Digital Leadership Capabilities (DLC).

- H1: Digitalization Strategy Adoption (DSA) has a positive effect on Market-Driven Business Model Innovation (MDBMI).
- H2: Digital Transformation (DT) has a positive effect on Market-Driven Business Model Innovation (MDBMI).
- H3: Market-Driven Business Model Innovation (MDBMI) has a positive effect on Sustainable Business Performance (SBP).
- H4: Digitalization Strategy Adoption (DSA) has a positive effect on Sustainable Business Performance (SBP).
- H5: Digital Transformation (DT) has a positive effect on Sustainable Business Performance (SBP).
- H6: Market-Driven Business Model Innovation (MDBMI) mediates the relationship between Digitalization Strategy Adoption (DSA) and Sustainable Business Performance (SBP).
- H7: Market-Driven Business Model Innovation (MDBMI) mediates the relationship between Digital Transformation (DT) and Sustainable Business Performance (SBP).
- H8: Digital Leadership Capabilities (DLC) moderate the relationship between Market-Driven Business Model Innovation (MDBMI) and Sustainable Business Performance (SBP).

2.9 Conceptual Framework

The conceptual framework of this study is developed based on Dynamic Capabilities Theory and the literature on digital strategy, digital transformation, business model innovation, digital leadership, and sustainable business performance. The framework explains how Digitalization Strategy Adoption (DSA) and Digital Transformation (DT) influence Sustainable Business Performance (SBP) both directly and indirectly through Market-Driven Business Model Innovation (MDBMI). In addition, Digital Leadership Capabilities (DLC) are proposed to moderate the relationship between Market-Driven Business Model Innovation (MDBMI) and Sustainable Business Performance (SBP).

In this framework, Digitalization Strategy Adoption (DSA) and Digital Transformation (DT) are positioned as key digital capabilities that may support Market-Driven Business Model Innovation (MDBMI). Market-Driven Business Model Innovation (MDBMI) represents the organization's ability to redesign its value proposition, value creation, value delivery, and value capture mechanisms in response to market dynamics, customer needs, and sustainability demands.

Furthermore, Digitalization Strategy Adoption (DSA) and Digital Transformation (DT) are also expected to directly influence Sustainable Business Performance (SBP). This is because digital strategy and digital transformation may improve organizational alignment, operational efficiency, innovation capacity, and long-term sustainability outcomes.

Digital Leadership Capabilities (DLC) are positioned as a moderating variable because leadership may influence how effectively business model innovation contributes to Sustainable Business Performance (SBP). Digital leaders are expected to provide vision, direction, resource alignment, cross-functional coordination, and execution support in implementing business model innovation and sustainability-oriented transformation.

Therefore, the conceptual framework consists of five main constructs: Digitalization Strategy Adoption (DSA), Digital Transformation (DT), Market-Driven Business Model Innovation (MDBMI), Digital Leadership Capabilities (DLC), and Sustainable Business Performance (SBP). The framework includes five direct effect hypotheses, two mediation hypotheses, and one moderation hypothesis.

Figure 2.2 presents the conceptual framework of this study.

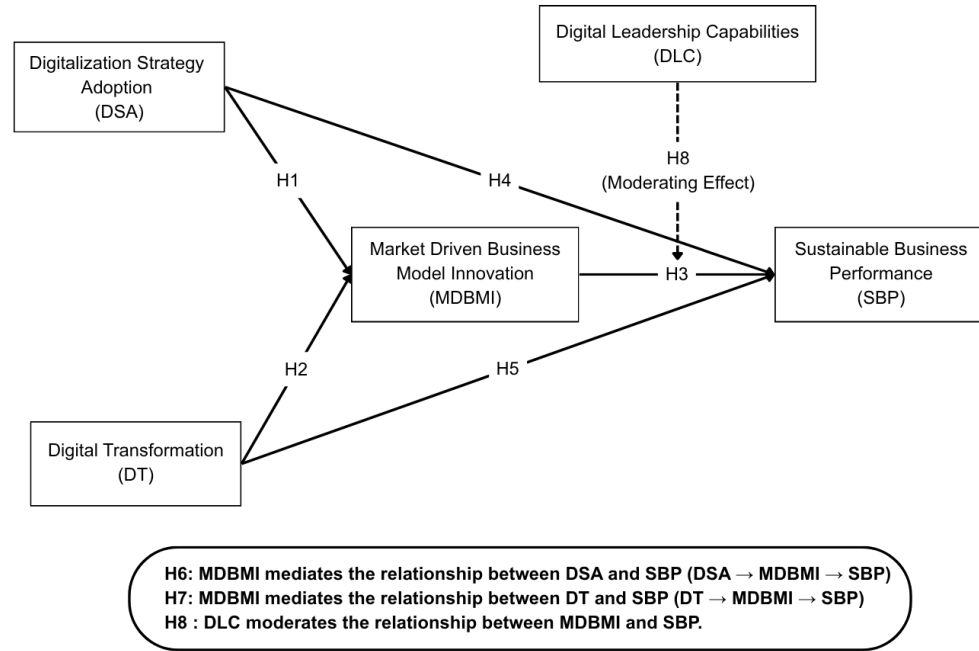


Figure 2.2 Conceptual Framework

Table 2.2. Summary of Research Variables, Roles, and Theoretical Foundations

Variable	Role	Dynamic Capabilities Theory Dimension	Key Reference
Digitalization Strategy Adoption (DSA)	Independent (Antecedent)	Sensing / Seizing	Bharadwaj et al. (2013); Westerman et al. (2014)
Digital Transformation (DT)	Independent Variable	Transforming	Vial (2019); Verhoef et al. (2021)
Market Driven Business Model (MDBMI)	Mediator	Transforming	Foss & Saebi (2017); Chen et al. (2024)
Digital Leadership Capabilities (DLC)	Moderator	Microfoundation (Leadership)	Kane et al. (2019); Teece (2007)
Sustainable Business Performance (SBP)	Dependent	Sustainable Performance	Elkington (1997); Triple Bottom Line

CHAPTER 3

RESEARCH METHODOLOGY

3.1 Research Design

This study employs quantitative research design using a cross-sectional survey approach. A quantitative approach is considered appropriate because the study aims to examine the statistical relationships between Digitalization Strategy Adoption (DSA), Digital Transformation (DT), Market-Driven Business Model Innovation (MDBMI), Digital Leadership Capabilities (DLC), and Sustainable Business Performance (SBP). The cross-sectional survey design was used because the data was collected from respondents at a single point in time. This approach allows the researcher to capture managers' perceptions of digital strategy, digital transformation, business model innovation, digital leadership, and sustainable business performance within their organizations.

This study applies Partial Least Squares Structural Equation Modeling (PLS-SEM) to test the proposed conceptual framework. The model examines eight hypotheses consisting of five direct effects, two mediation effects, and one moderation effect. The direct effects include the relationships between Digitalization Strategy Adoption (DSA), Digital Transformation (DT) and Market-Driven Business Model Innovation (MDBMI), Market-Driven Business Model Innovation (MDBMI) and Sustainable Business Performance (SBP), Digitalization Strategy Adoption (DSA) and Sustainable Business Performance (SBP), and Digital Transformation (DT) and Sustainable Business Performance (SBP).

In addition, this study examines the mediating role of Market-Driven Business Model Innovation (MDBMI) in the relationships between Digitalization Strategy Adoption (DSA) and Sustainable Business Performance (SBP), and between Digital Transformation (DT) and Sustainable Business Performance (SBP). The study also examines the moderating role of Digital Leadership Capabilities (DLC) in the relationship between Market-Driven Business Model Innovation (MDBMI) and Sustainable Business Performance (SBP).

The unit of analysis in this study is the individual manager or decision-maker who represents organizational perceptions and practices related to digitalization, transformation, innovation, leadership, and sustainable business performance. The research context focuses on Indonesian State-Owned Enterprises (BUMN), subsidiaries of BUMN, and publicly listed companies (Tbk), as these organizations are exposed to digital transformation pressures, governance requirements, and sustainability expectations.

3.2 Justification for PLS-SEM

This study uses Partial Least Squares Structural Equation Modeling (PLS-SEM) as the main data analysis method. PLS-SEM is considered appropriate because the study examines a relatively complex research model involving multiple latent constructs, direct effects, mediation effects, and moderation effect. The model includes Digitalization Strategy Adoption (DSA), Digital Transformation (DT), Market-Driven Business Model Innovation (MDBMI), Digital Leadership Capabilities (DLC), and Sustainable Business Performance (SBP).

PLS-SEM is suitable for this study because the objective is to explain and predict the relationships among the constructs rather than to confirm a well established theory. This study is grounded in Dynamic Capabilities Theory, but the integration of Digitalization Strategy Adoption (DSA), Digital Transformation (DT), Market-Driven Business Model Innovation (MDBMI), Digital Leadership Capabilities (DLC), and Sustainable Business Performance (SBP) remains relatively underexplored in the Indonesian BUMN, BUMN subsidiaries, and publicly listed company context. Therefore, PLS-SEM is appropriate for examining emerging relationships and developing theoretical insights from empirical data.

In addition, PLS-SEM is appropriate because this study uses survey-based data and latent variables measured by multiple indicators. The method allows the researcher to assess both the measurement model and the structural model simultaneously. Measurement model assessment evaluates indicator reliability, internal consistency reliability, convergent validity, and discriminant validity. The structural model assessment evaluates path coefficients, coefficient of determination (R^2), effect size (f^2), mediation effects, moderation effect, and hypothesis testing.

PLS-SEM is also suitable for studies that aim to maximize the explained variance of endogenous constructs. In this study, Sustainable Business Performance (SBP) is the main dependent variable, while Market-Driven Business Model Innovation (MDBMI) also functions as an endogenous construct. Therefore, PLS-SEM enables the researcher to assess how well Digitalization Strategy Adoption (DSA), Digital Transformation (DT), Market-Driven Business Model Innovation (MDBMI), and Digital Leadership Capabilities (DLC) explain Sustainable Performance outcomes. Furthermore, the sample size of this study is appropriate for PLS-SEM analysis. The study collected 316 valid responses, which is adequate for estimating the proposed model and conducting bootstrapping procedures. The use of SmartPLS also enables the testing of direct, mediating, and moderating relationships through a non-parametric bootstrapping approach.

Overall, PLS-SEM is selected because it is appropriate for analyzing complex models with multiple constructs, mediation and moderation mechanisms, survey-based latent variables, and prediction-oriented research objectives. Therefore, it provides a suitable analytical technique for testing the proposed conceptual framework of this study.

3.3 Population and Sampling

3.3.1 Population and Unit of Analysis

The population of this study consists of managers and decision-makers working in Indonesian State-Owned Enterprises (BUMN), subsidiaries of BUMN, and publicly listed companies (Tbk). These organizations were selected because they are exposed to increasing digital transformation pressures, governance requirements, sustainability expectations, and performance demands from regulators, shareholders, customers, and other stakeholders.

The target respondents were mid- to senior-level managers and decision-makers who were expected to have sufficient knowledge of their organization's digital strategy, digital transformation initiatives, Business Model innovation, leadership practices, and sustainable business performance. These respondents were considered appropriate because the constructs examined in this study require organizational-level understanding rather than individual user experience.

3.3.2 Sampling Technique and Respondent Criteria

This study used a non probability sampling method with a purposive sampling technique. Non-probability sampling was selected because the study did not aim to randomly select respondents from the entire population of employees in Indonesia. Instead, this study required respondents with specific organizational knowledge, managerial experience, and direct involvement in digital or sustainability-related initiatives.

Purposive sampling was considered appropriate because the research focused on respondents who were expected to understand the implementation of digitalization strategy, digital transformation, business model innovation, digital leadership, and sustainable business performance in their organizations. Therefore, the respondents were selected based on predefined criteria that matched the objectives of the study.

The respondent criteria were established to ensure that the collected data reflected informed assessments from individuals who were relevant to the research context. The eligible respondent criteria were also stated in the research questionnaire, including employment in a Tbk or BUMN organization, holding a managerial position or above, involvement in digital or sustainability initiatives, and a minimum of three years of experience in the current organization.

The criteria are as follows:

1. The respondent works in a publicly listed company (Tbk), state-owned enterprise (BUMN), or subsidiary of a BUMN in Indonesia.
2. The respondent holds a managerial position or above, including Manager, Senior Manager, Department Head, General Manager, Director, or C-Suite level.
3. The respondent is directly involved in at least one relevant organizational initiative, such as digital strategy formulation, digital transformation projects, business model innovation, sustainability or ESG initiatives, or digital leadership development.
4. The respondent has a minimum of three years of work experience in the current organization.

By applying these criteria, this study ensured that the respondents had sufficient exposure to organizational decision-making and practical knowledge related to the constructs being examined. As a result, the responses used in the analysis were expected to represent informed perceptions rather than general employee opinions.

Table 3.1. Respondent Eligibility Criteria

Criteria	Description
Organization Type	Publicly listed company (Tbk), state-owned enterprise (BUMN), or subsidiary of a BUMN in Indonesia
Position Level	Manager or above, including Senior Manager, Department Head, General Manager, Director, or C-Suite level
Relevant Involvement	Direct involvement in digital strategy formulation, digital transformation projects, business model innovation, sustainability or ESG initiatives, or digital leadership development
Work Experience	Minimum three years of experience in the current organization

3.4 Research Instrument

The research instrument used in this study was a structured questionnaire. The questionnaire was designed to measure five main constructs: Digitalization Strategy Adoption (DSA), Digital Transformation (DT), Market-Driven Business Model Innovation (MDBMI), Digital Leadership Capabilities (DLC), and Sustainable Business Performance (SBP). Each construct was measured using multiple indicators adapted from relevant prior studies and adjusted to fit the context of Indonesian BUMN, BUMN subsidiaries, and publicly listed companies.

The questionnaire consisted of two main sections. The first section collected respondent profile information, including organizational type, industry sector, managerial level, and work experience. This information was used to describe the characteristics of the respondents and ensure that they met the sampling criteria. The second section measured the main research constructs using statement-based indicators.

All construct indicators were measured using a five-point Likert scale. Respondents were asked to indicate their level of agreement with each statement, ranging from 1 (strongly disagree) to 5 (strongly agree). The use of a Likert scale is appropriate because this study examines managerial perceptions of organizational practices and performance related to digitalization strategy, digital transformation, business model innovation, digital leadership, and sustainable business performance.

The questionnaire items were developed based on established concepts in the literature. Digitalization Strategy Adoption was measured to capture the extent to which organizations adopt digital strategy as part of their strategic direction and transformation agenda. Digital Transformation was measured to assess the implementation and integration of digital technologies into organizational processes and value creation activities. Market-Driven Business Model Innovation was measured to capture the extent to which organizations redesign how they create, deliver, and capture value in response to market and sustainability demands. Digital Leadership Capabilities were measured to assess leadership capability in guiding digital transformation, innovation, and organizational change. Sustainable Business Performance was measured to capture economic, environmental, and social performance outcomes.

Before the data analysis, the collected responses were screened to ensure completeness and suitability for analysis. The validity and reliability of the measurement instrument were then assessed through the measurement model evaluation in PLS-SEM, including indicator reliability, internal consistency reliability, convergent validity, and discriminant validity.

3.5 Operational Definition of Variables

Table 3.2 presents the operational definitions, indicators, scale, and sources for all research variables.

Variable	Operational Definition	Key Indicators	Scale	Source
Digitalization Strategy Adoption (DSA)	The formal, strategic process by which organizations commit to integrating digital technologies into corporate strategy, resource allocation, and governance.	Digital roadmap; strategic alignment; resource allocation; governance	Likert 1–5	Bharadwaj et al. (2013); Westerman et al. (2014)
Digital Transformation (DT)	The organization-wide implementation of digital technologies to fundamentally redesign business processes, capabilities, and value delivery mechanisms.	Process redesign; digital competency; technology integration; continuous development	Likert 1–5	Vial (2019); Verhoef et al. (2021)
Market Driven Business Model Innovation (MDBMI)	The deliberate redesign of value proposition, value creation, and value capture structures in response to evolving market demands and sustainability requirements.	Value proposition redesign; new revenue models; supply chain reconfiguration; partnership restructuring	Likert 1–5	Foss & Saebi (2017); Clauss (2017)
Digital Leadership Capability (DLC)	Managerial and behavioral competencies enabling leaders to guide digital transformation, foster innovation, and align digital initiatives with sustainability objectives.	Digital vision; change leadership; innovation culture; sustainability alignment	Likert 1–5	Kane et al. (2019); Hess et al. (2016)

Variable	Operational Definition	Key Indicators	Scale	Source
Sustainable Business Performance (SBP)	Long-term organizational performance encompassing economic prosperity, environmental responsibility, and social equity, operationalized via the Triple Bottom Line.	Revenue growth; operational efficiency; environmental footprint; social impact	Likert 1–5	Elkington (1997); Schaltegger & Wagner (2011)

Table 3.2. Operational Definition of Variables

3.6 Data Collection Procedure

Data was collected using a structured online questionnaire developed through Google Forms. The questionnaire was distributed through professional networks, including LinkedIn, corporate email contacts, and professional associations, to reach mid- to senior-level managers in Indonesian publicly listed companies (Tbk), State-Owned Enterprises (BUMN), and subsidiaries of BUMN. Participation in the survey was voluntary, and respondents were assured of anonymity and confidentiality. No personally identifiable information was collected. The data collection period lasted approximately six weeks. A total of 319 responses were received, and after screening for completeness, 316 valid responses were retained for PLS-SEM analysis.

3.7 Data Analysis Technique

The data in this study were analyzed using Partial Least Squares Structural Equation Modeling (PLS-SEM) with SmartPLS 4. PLS-SEM was selected because the study examines multiple latent constructs and tests direct, mediating, and moderating relationships. The analysis consisted of two main stages: measurement model evaluation and structural model evaluation. The measurement model evaluation was conducted to assess the reliability and validity of the constructs. The structural model evaluation was conducted to examine the relationships among the constructs,

including direct effects, mediation effects, moderation effect, explanatory power, effect size, predictive relevance, and multicollinearity.

3.7.1 Measurement Model Evaluation

The measurement model was assessed using several criteria consistent with Hair et al. (2019):

- **Indicator Reliability:** Outer loadings for reflective indicators should exceed 0.70, indicating that more than 50% of the indicator variance is explained by the latent construct.
- **Internal Consistency Reliability:** Cronbach's Alpha (α) and Composite Reliability (CR) should exceed 0.70. Composite Reliability values above 0.90 may indicate potential item redundancy.
- **Convergent Validity:** Average Variance Extracted (AVE) for each construct should exceed 0.50, indicating that the construct explains more than half of the variance of its indicators.
- **Discriminant Validity:** Discriminant validity was assessed using the Heterotrait-Monotrait (HTMT) ratio. HTMT values below 0.85 or 0.90 indicate adequate construct distinctiveness.

3.7.2 Structural Model Evaluation

The structural model was evaluated using the following criteria:

- **Path Coefficients (β):** Path coefficients were estimated using the PLS-SEM algorithm to assess the direction and strength of the relationships among constructs.
- **T-statistics and p-values:** Statistical significance was assessed using a bootstrapping procedure with 5,000 resamples. A t-statistic greater than 1.96 and a p-value below 0.05 indicate statistical significance.
- **Coefficient of Determination (R^2):** R^2 was used to assess the explanatory power of the model for each endogenous construct. Values of 0.25, 0.50, and

0.75 are generally interpreted as weak, moderate, and substantial, respectively.

- Effect Size (f^2): f^2 was used to assess the contribution of each exogenous construct to the R^2 value of an endogenous construct. Values of 0.02, 0.15, and 0.35 indicate small, medium, and large effects, respectively.
- Predictive Relevance (Q^2): Q^2 was assessed to evaluate the predictive relevance of the model. A Q^2 value greater than zero indicates that the model has predictive relevance for the endogenous construct.
- Variance Inflation Factor (VIF): VIF was used to assess multicollinearity among predictor constructs. VIF values below 5.0 indicate that multicollinearity is not a critical issue.

3.7.3 Mediation and Moderation Analysis

Mediation analysis was conducted to examine the indirect effects proposed in H6 and H7. Specifically, H6 tests whether Market-Driven Business Model Innovation (MDBMI) mediates the relationship between Digitalization Strategy Adoption (DSA) and Sustainable Business Performance (SBP). H7 tests whether Market-Driven Business Model Innovation (MDBMI) mediates the relationship between Digital Transformation (DT) and Sustainable Business Performance (SBP).

The mediation effects were assessed using the bootstrapping procedure in SmartPLS 4 with 5,000 resamples. A mediation effect is considered statistically significant when the bootstrapped indirect effect is significant at $p < 0.05$ and the confidence interval does not include zero. If the indirect effect is significant, Market-Driven Business Model Innovation (MDBMI) is considered to function as a mediating mechanism between the independent variable and Sustainable Business Performance (SBP).

Moderation analysis was conducted to test H8, which proposes that Digital Leadership Capabilities (DLC) positively moderate the relationship between Market-Driven Business Model Innovation (MDBMI) and Sustainable Business Performance (SBP). The moderation effect was tested by creating an interaction term between

Market-Driven Business Model Innovation (MDBMI) and Digital Leadership Capabilities (DLC) in SmartPLS 4.

The moderation effect is considered statistically significant when the interaction term is significant at $p < 0.05$. However, to support the proposed hypothesis, the interaction coefficient must also be consistent with the hypothesized direction. Therefore, a significant positive interaction coefficient indicates that Digital Leadership Capabilities (DLC) strengthens the positive relationship between Market-Driven Business Model Innovation (MDBMI) and Sustainable Business Performance (SBP), while a significant negative interaction coefficient indicates a moderation effect in the opposite direction.

CHAPTER 4

DATA ANALYSIS AND RESULTS

4.1 Respondent Profile

A total of 319 questionnaire responses were received through the online Google Forms platform during the data collection period of March to May 2026. Following screening for item completeness, 316 responses were confirmed as fully complete across all 27 Likert-scale indicator items and were retained for PLS-SEM analysis. Three responses containing a single missing item were excluded from construct level analysis. The final analytical sample of $n = 316$ comfortably exceeds the minimum requirement prescribed by Hair et al. (2019) for the complexity of the proposed moderated mediation model.

Of the 316 valid respondents, 313 (99.1%) represent the primary organizational targets of the study are BUMN, Tbk, and subsidiary (Anak Perusahaan) BUMN, while three respondents identified their organizations as private non listed companies. Given this negligible proportion, these responses are retained in the analysis without materially affecting the findings. The complete demographic profile is presented in Table 4.1.

Category	Classification	n	Percentage (%)
Organization Type	State-Owned Enterprise (BUMN)	110	34.8
	Public Company (Tbk)	104	32.9
	Subsidiary of BUMN	99	31.3
	Others	3	0.9
Level	Manager	66	20.9
	C-Suite (CEO, CFO, CTO, CDO)	58	18.4
	Director	51	16.1
	Senior Manager	51	16.1
	Department Head	45	14.2
	General Manager	40	12.7
	Others	5	1.6

Category	Classification	n	Percentage (%)
Industrial Sector	Energy & Infrastructure	58	18.4
	Retail & Consumer Goods	47	14.9
	Industrial Manufacturing	42	13.3
	Financial Services & Banking	41	13.0
	Property & Construction	39	12.3
	Transportation & Logistics	32	10.1
	Healthcare	30	9.5
	Telecommunication & Technology	27	8.5
Work Experience	3 - 5 years	134	42.4
	6 - 10 years	94	29.7
	More than 10 years	88	27.8
Total		316	100.0

Table 4.1 Respondent Profile (n = 316)

The respondent profile reflects strong alignment with the study's organizational scope, with BUMN (34.8%), Tbk (32.9%), and Subsidiary of BUMN (31.3%) collectively representing 99.1% of the sample. The managerial level distribution is strategically senior: C-Suite, Directors, Senior Managers, General Managers, and Department Heads collectively constitute 78.5% of respondents, confirming that the data captures decision-makers with direct authority over digital strategy, transformation, and sustainability initiatives. Eight industry sectors are represented, reducing single-sector bias. Regarding organizational tenure, 57.6% of respondents have worked in their current organization for more than five years, confirming sufficient organizational familiarity to provide reliable assessments.

4.2 Measurement Model Evaluation (Outer Model)

The measurement model was evaluated to assess the reliability and validity of the constructs. The results show that all indicators met the recommended outer loading threshold of 0.70. Therefore, no indicators were removed from the measurement model. As shown in Table 4.2, the outer loading values ranged from 0.736 to 0.893, indicating adequate indicator reliability. The lowest retained loading was MDBMI2

at 0.736, while the highest loading was DSA2 at 0.893. These results indicate that all indicators adequately represent their respective constructs. The reliability and convergent validity results also show that all constructs met the recommended thresholds. Cronbach's Alpha values ranged from 0.836 to 0.915, Composite Reliability values ranged from 0.884 to 0.932, and AVE values ranged from 0.603 to 0.701. Therefore, all constructs satisfy the requirements for indicator reliability, internal consistency reliability, and convergent validity.

4.2.1 Indicator Reliability, Internal Consistency, and Convergent Validity

Construct	Indicator	Outer Loading	CA	Composite reliability (rho_a)	Composite reliability (rho_c)	AVE
Digital Leadership Capability (DLC)	DLC1	0,817	0,888	0,89	0,918	0,69
	DLC2	0,854				
	DLC3	0,848				
	DLC4	0,798				
	DLC5	0,836				
Digitalization Strategy Adoption (DSA)	DSA1	0,839	0,891	0,899	0,919	0,696
	DSA2	0,893				
	DSA3	0,805				
	DSA4	0,783				
	DSA5	0,845				
Digital Transformation (DT)	DT1	0,761	0,893	0,895	0,921	0,701
	DT2	0,869				
	DT3	0,841				
	DT4	0,864				
	DT5	0,847				
Market Driven Business Model Innovation (MDBMI)	MDBMI1	0,770	0,836	0,852	0,884	0,603
	MDBMI2	0,736				
	MDBMI3	0,759				
	MDBMI4	0,775				
	MDBMI5	0,841				
Sustainable Business Performance (SBP)	SBP1	0,806	0,915	0,917	0,932	0,662
	SBP2	0,823				
	SBP3	0,809				
	SBP4	0,879				
	SBP5	0,767				
	SBP6	0,779				
	SBP7	0,828				

Table 4.2 Outer Loadings, Cronbach's Alpha, Composite Reliability, and AVE

4.2.2 Discriminant Validity

	DLC	DT	DSA	MDBMI	SBP
DLC	0.831*				
DT	0.034	0.834*			
DSA	0.002	0.096	0.837*		
MDBMI	0.063	0.107	0.027	0.777*	
SBP	0.339	0.416	0.433	0.403	0.814*

Note: Digitalization Strategy Adoption (DSA), Digital Leadership Capability (DLC), Digitalization Strategy Adoption (DSA), Digital Transformation (DT), Market Driven Business Model Innovation (MDBMI), Sustainable Business Performance (SBP)

Table 4.3 Fornell-Larcker Criterion Matrix

	DLC	DSA	DT	MDBMI	SBP
DLC	-				
DSA	0.065	-			
DT	0.060	0.107	-		
MDBMI	0.077	0.118	0.066	-	
SBP	0.374	0.450	0.477	0.454	-

Note: Digitalization Strategy Adoption (DSA), Digital Leadership Capability (DLC), Digitalization Strategy Adoption (DSA), Digital Transformation (DT), Market Driven Business Model Innovation (MDBMI), Sustainable Business Performance (SBP)

Table 4.4 HTMT Discriminant Validity Matrix

Discriminant validity was assessed using the Heterotrait-Monotrait (HTMT) ratio. As shown in Table 4.4, all HTMT values are below the recommended threshold of 0.90. The highest HTMT value is 0.477 for the relationship between Digital Transformation and Sustainable Business Performance. This indicates that all constructs are sufficiently distinct from one another. Therefore, discriminant validity is established.

4.3 Common Method Bias Assessment

Common method bias was assessed using Harman's single-factor test. This assessment was conducted because the data were collected using a self-administered questionnaire from a single source at one point in time. According to the commonly accepted threshold, common method bias is not considered a critical issue when the first factor accounts for less than 50% of the total variance. The result shows that the first factor accounted for 27.4% of the total variance, which is below the recommended threshold of 50%. Therefore, common method bias is not considered a serious concern in this study.

4.4 Structural Model Evaluation (Inner Model)

After confirming the reliability and validity of the measurement model, the structural model was evaluated to examine the relationships among the constructs. The structural model evaluation included multicollinearity assessment, coefficient of determination (R^2), effect size (f^2), and model fit assessment.

The structural model in this study examined eight hypotheses consisting of five direct effects, two mediation effects, and one moderation effect. The direct effects include Digitalization Strategy Adoption (DSA) to Market Driven Business Model Innovation (MDBMI), Digital Transformation (DT) → Market Driven Business Model Innovation (MDBMI), Market Driven Business Model Innovation (MDBMI) → Sustainable Business Performance (SBP), Digitalization Strategy Adoption (DSA) → Sustainable Business Performance (SBP), and Digital Transformation (DT) → Sustainable Business Performance (SBP). The mediation effects examine whether Market Driven Business Model Innovation (MDBMI) mediates the relationship between Digitalization Strategy Adoption (DSA) and Sustainable Business Performance (SBP) and between Digital Transformation (DT) and Sustainable Business Performance (SBP). The moderation effect examines whether Digital Leadership Capability (DLC) moderates the relationship between Market Driven Business Model Innovation (MDBMI) and Sustainable Business Performance (SBP).

Construct	R²	R² Adjusted	Interpretation
Market Driven Business Model Innovation (MDBMI)	0.012	0.006	Very Weak
Sustainable Business Performance (SBP)	0.552	0.545	Moderate

Table 4.5 R-Square Results

As shown in Table 4.5, the R² value for Market Driven Business Model Innovation (MDBMI) is 0.012, indicating that Digitalization Strategy Adoption (DSA) and Digital Transformation (DT) explain only 1.2% of the variance in Market Driven Business Model Innovation (MDBMI). This suggests that the explanatory power of Digitalization Strategy Adoption (DSA) and Digital Transformation (DT) toward Market Driven Business Model Innovation (MDBMI) is very weak. Meanwhile, the R² value for Sustainable Business Performance (SBP) is 0.552, indicating that Digitalization Strategy Adoption (DSA), Digital Transformation (DT), Market Driven Business Model Innovation (MDBMI), Digital Leadership Capability (DLC), and the interaction term explain 55.2% of the variance in Sustainable Business Performance (SBP). This indicates that the model has moderate explanatory power for Sustainable Business Performance (SBP).

Predictor	Endogenous Construct	f²	Interpretation
Digitalization Strategy Adoption (DSA)	Market Driven Business Model Innovation (MDBMI)	0.011	Very Small
Digital Transformation (DT)	Market Driven Business Model Innovation (MDBMI)	0	No Meaningful Effect
Digital Leadership Capability (DLC)	Sustainable Business Performance (SBP)	0.209	Medium
Digitalization Strategy Adoption (DSA)	Sustainable Business Performance (SBP)	0.239	Medium

Predictor	Endogenous Construct	f²	Interpretation
Digital Transformation (DT)	Sustainable Business Performance (SBP)	0.348	Medium to large
Market Driven Business Model Innovation (MDBMI)	Sustainable Business Performance (SBP)	0.241	Medium
Digital Leadership Capability (DLC) x Market Driven Business Model Innovation (MDBMI)	Sustainable Business Performance (SBP)	0.012	Small

Table 4.6 Effect Size Results

4.5 Model Fit Assessment

Model fit assessment was conducted to evaluate the overall fit of the proposed model. In PLS-SEM, model fit can be assessed using several indicators, including the Standardized Root Mean Square Residual (SRMR), d_ULS, d_G, Chi-square, and Normed Fit Index (NFI). Among these indicators, SRMR is commonly used as an approximate model fit criterion, where a value below 0.08 indicates acceptable model fit. The model fit results are presented in Table 4.7. The Standardized Root Mean Square Residual (SRMR) value is 0.048 for both the saturated model and the estimated model. Since this value is below the recommended threshold of 0.08, the model demonstrates acceptable fit. The Normed Fit Index (NFI) value is 0.888 for the saturated model and 0.889 for the estimated model, indicating a reasonably acceptable level of model fit.

Overall, the model fit results suggest that the proposed structural model is acceptable for further analysis and hypothesis testing.

Fit Index	Saturated Model	Estimated Model
SRMR	0.048	0.048
d_ULS	0.857	0.879
d_G	0.310	0.308
Chi-square	571.117	564.446
Fit Index	Saturated Model	Estimated Model
Normed Fit Index (NFI)	0.888	0.889

Table 4.7 Model Fit Results

Based on the model fit assessment, the structural model meets the acceptable SRMR threshold and demonstrates adequate overall fit. Therefore, the analysis proceeds with hypothesis testing using the bootstrapping results.

4.6 Hypothesis Testing Results: Direct Effects

The direct effects were assessed using the bootstrapping procedure in SmartPLS 4 with 5,000 resamples. Five hypothesized direct effects were tested in this study, namely Digitalization Strategy Adoption (DSA) → Market Driven Business Model Innovation (MDBMI), Digital Transformation (DT) → Market Driven Business Model Innovation (MDBMI), Market Driven Business Model Innovation (MDBMI) → Sustainable Business Performance (SBP), Digitalization Strategy Adoption (DSA) → Sustainable Business Performance (SBP), and Digital Transformation (DT) → Sustainable Business Performance (SBP). In addition, the direct effect of Digital Leadership Capability (DLC) on Sustainable Business Performance (SBP) was also examined as an additional structural path in the model.

H	Relationship	β (O)	t	p	Result
H1	Digitalization Strategy Adoption (DSA) → Market Driven Business	0.106	1.862	0.063	Not Significant

	Model Innovation (MDBMI)				
H2	Digital Transformation (DT) → Market Driven Business Model Innovation (MDBMI)	0.017	0.282	0.778	Not Significant
H	Relationship	β (O)	t	p	Result
H3	Market Driven Business Model Innovation (MDBMI) → Sustainable Business Performance (SBP)	0.332	8.959	<0.001	Significant
H4	Digitalization Strategy Adoption (DSA) → Sustainable Business Performance (SBP)	0.331	8.968	<0.001	Significant
H5	Digital Transformation (DT) → Sustainable Business Performance (SBP)	0.399	9.962	<0.001	Significant
Additional	Digital Leadership Capability (DLC) → Sustainable Business Performance (SBP)	0.307	8.239	<0.001	Significant

Table 4.8 Direct Effect Hypothesis Testing Results (Bootstrap 5,000 Resamples)

As shown in Table 4.8, H1 is not significant. The relationship between Digitalization Strategy Adoption and Market-Driven Business Model Innovation (MDBMI) is positive but not statistically significant at the 5% level ($\beta = 0.106$, $t = 1.862$, $p = 0.063$). This indicates that Digitalization Strategy Adoption (DSA) does not significantly influence Market-Driven Business Model Innovation (MDBMI).

H2 is also not significant. The relationship between Digital Transformation (DT) and Market-Driven Business Model Innovation (MDBMI) is positive but not statistically significant ($\beta = 0.017$, $t = 0.282$, $p = 0.778$). This result indicates that Digital Transformation (DT) does not significantly influence Market-Driven Business Model Innovation (MDBMI).

H3 is significant. Market-Driven Business Model Innovation (MDBMI) has a positive and significant effect on Sustainable Business Performance (SBP) ($\beta = 0.332$, $t = 8.959$, $p < 0.001$). This indicates that organizations with stronger Market-Driven Business Model Innovation tend to achieve higher sustainable business performance.

H4 is significant. Digitalization Strategy Adoption (DSA) has a positive and significant direct effect on Sustainable Business Performance (SBP) ($\beta = 0.331$, $t = 8.968$, $p < 0.001$). This result suggests that digital strategy adoption directly contributes to sustainable performance outcomes.

H5 is significant. Digital Transformation (DT) has a positive and significant direct effect on Sustainable Business Performance (SBP) ($\beta = 0.399$, $t = 9.962$, $p < 0.001$). This indicates that Digital Transformation directly improves Sustainable Business Performance (SBP).

In addition to the hypothesized direct effects, Digital Leadership Capabilities (DLC) also show a positive and significant direct effect on Sustainable Business Performance (SBP) ($\beta = 0.307$, $t = 8.239$, $p < 0.001$). Although this relationship is not formulated as a main hypothesis, the result suggests that Digital Leadership Capabilities (DLC) directly contribute to Sustainable Business Performance (SBP).

Overall, the direct effect results show that Digital Strategy Adoption (DSA), Digital Transformation (DT), Market-Driven Business Model Innovation (MDBMI), and Digital Leadership Capabilities (DLC) significantly contribute to Sustainable Business Performance (SBP). However, DSA and DT do not significantly influence MDBMI. This indicates that Digital Strategy Adoption (DSA) and Digital Transformation (DT) directly improve Sustainable Business Performance (SBP), but

they are not necessarily translated into Market-Driven Business Model Innovation (MDBMI).

4.7 Mediation Analysis

Mediation analysis was conducted to examine whether Market-Driven Business Model Innovation (MDBMI) mediates the relationships between Digitalization Strategy Adoption (DSA) and Sustainable Business Performance (SBP), and between Digital Transformation (DT) and Sustainable Business Performance (SBP). The mediation effects were tested using the bootstrapping procedure in SmartPLS 4 with 5,000 resamples.

The results of the mediation analysis are presented in Table 4.9.

H	Indirect Relationship	β (O)	t	p	Result
H6	Digitalization Strategy Adoption (DSA) → Market Driven Business Model Innovation (MDBMI) → Sustainable Business Performance (SBP)	0.035	1.827	0.068	Not Significant
H7	Digital Transformation (DT) → Market Driven Business Model Innovation (MDBMI) → Sustainable Business Performance (SBP)	0.006	0.282	0.778	Not Significant

Table 4.9 Mediation Analysis Results

As shown in Table 4.9, H6 is not significant. The indirect effect of Digitalization Strategy Adoption on Sustainable Business Performance through Market-Driven Business Model Innovation is positive but not statistically significant ($\beta = 0.035$, $t = 1.827$, $p = 0.068$). This indicates that Market-Driven Business Model Innovation does not mediate the relationship between Digitalization Strategy Adoption and Sustainable Business Performance.

H7 is also not significant. The indirect effect of Digital Transformation on Sustainable Business Performance through Market-Driven Business Model Innovation is positive but not statistically significant ($\beta = 0.006$, $t = 0.282$, $p = 0.778$).

This indicates that Market-Driven Business Model Innovation does not mediate the relationship between Digital Transformation and Sustainable Business Performance. These findings suggest that although Digitalization Strategy Adoption and Digital Transformation have significant direct effects on Sustainable Business Performance, their effects are not transmitted through Market-Driven Business Model Innovation. Therefore, MDBMI does not function as a mediating mechanism in the proposed model.

The not significant mediation effects indicate that digital strategy and digital transformation may generate direct sustainable performance benefits, but they are not effectively converted into Market Driven Business Model Innovation (MDBMI) redesign. This pattern provides early evidence that Digital Leadership Capabilities (DLC) and Market Driven Business Model Innovation (MDBMI) may operate through separate organizational pathways rather than as one integrated capability chain.

4.8 Moderation Analysis

Moderation analysis was conducted to examine whether Digital Leadership Capabilities (DLC) moderate the relationship between Market-Driven Business Model Innovation (MDBMI) and Sustainable Business Performance (SBP). The moderation effect was tested by creating an interaction term between Market-Driven Business Model Innovation (MDBMI) and Digital Leadership Capabilities (DLC) in SmartPLS 4. The interaction effect was assessed using the bootstrapping procedure with 5,000 resamples. The results of the moderation analysis are presented in Table 4.10.

H	Relationship	β (O)	t	p	Result
H8	DLC $\times$ MDBMI $\rightarrow$ SBP	-0.070	2.209	0.027	Significant but negative

Note: Digital Leadership Capabilities (DLC), Market-Driven Business Model Innovation (MDBMI), Sustainable Business Performance (SBP)

Table 4.10 Moderation Analysis Results

As shown in Table 4.10, the interaction effect between Digital Leadership Capabilities (DLC) and Market-Driven Business Model Innovation (MDBMI) on Sustainable Business Performance (SBP) is statistically significant ($\beta = -0.070$, $t = 2.209$, $p = 0.027$). However, the coefficient is negative, while the proposed hypothesis expected a positive moderating effect. Therefore, H8 is not significant in the hypothesized positive direction.

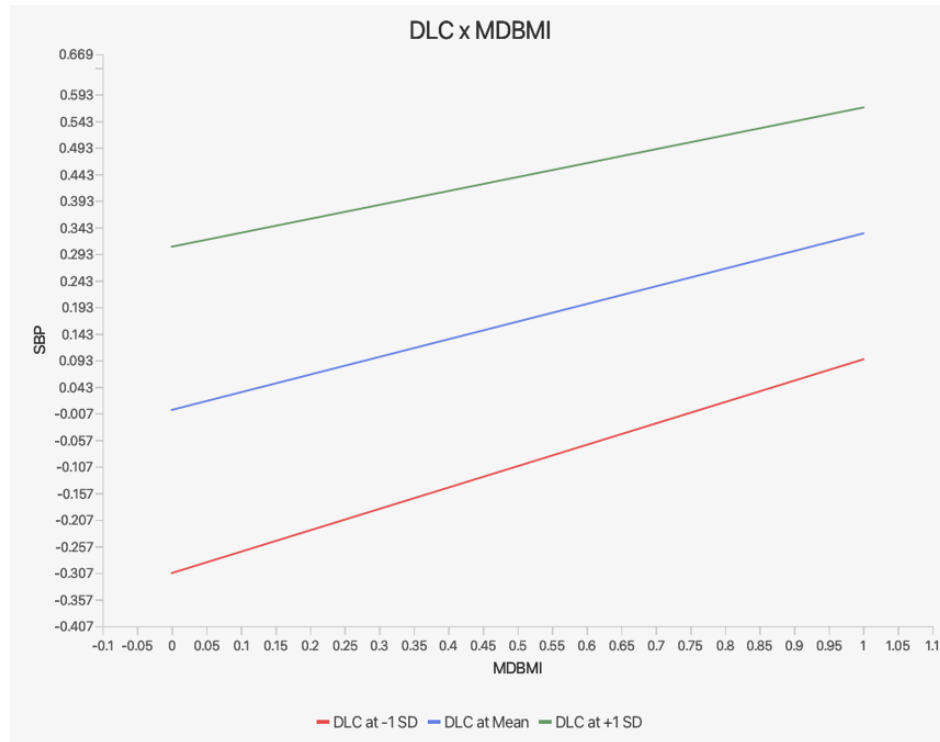


Figure 4.1 Moderation Plot of Digital Leadership Capabilities (DLC) on the Market Driven Business Model Innovation (MDBMI) - Sustainable Business Performance (SBP) Relationship

The moderation plot shows that the relationship between Market Driven Business Model Innovation (MDBMI) and Sustainable Business Performance (SBP), remains positive across different levels of Digital Leadership Capability (DLC). However, the slope becomes weaker when Digital Leadership Capability (DLC) is high compared to when Digital Leadership Capability (DLC) is low. This indicates that although Market Driven Business Model Innovation (MDBMI) still contributes to Sustainable Business Performance (SBP), its marginal effect becomes smaller under higher levels of Digital Leadership Capabilities (DLC).

This finding suggests a possible substitution effect. When digital leadership capability is strong, organizations may rely more on leadership-driven governance, strategic alignment, execution discipline, and resource mobilization to improve sustainable business performance. As a result, the additional contribution of Market-Driven Business Model Innovation (MDBMI) to Sustainable Business Performance (SBP) becomes relatively weaker.

Therefore, Digital Leadership Capability (DLC) should not be interpreted as harmful to SBP. Instead, DLC contributes directly to Sustainable Business Performance (SBP), but it does not strengthen the Market Driven Business Model Innovation (MDBMI) - Sustainable Business Performance (SBP) relationship as originally hypothesized. This explains why the interaction effect is statistically significant but negative.

4.9 Importance Performance Map Analysis (IPMA)

Importance-Performance Map Analysis (IPMA) was conducted to identify the relative importance and performance of the predictor constructs in explaining Sustainable Business Performance (SBP). IPMA extends the PLS-SEM results by combining the importance of each construct, represented by its total effect on the target construct, with its performance score. Therefore, IPMA provides additional managerial insight by identifying which constructs should be prioritized for improvement.

In this study, SBP was selected as the target construct for IPMA. The analysis included Digital Transformation (DT), Digitalization Strategy Adoption (DSA), Market-Driven Business Model Innovation (MDBMI), and Digital Leadership Capabilities (DLC) as predictor constructs.

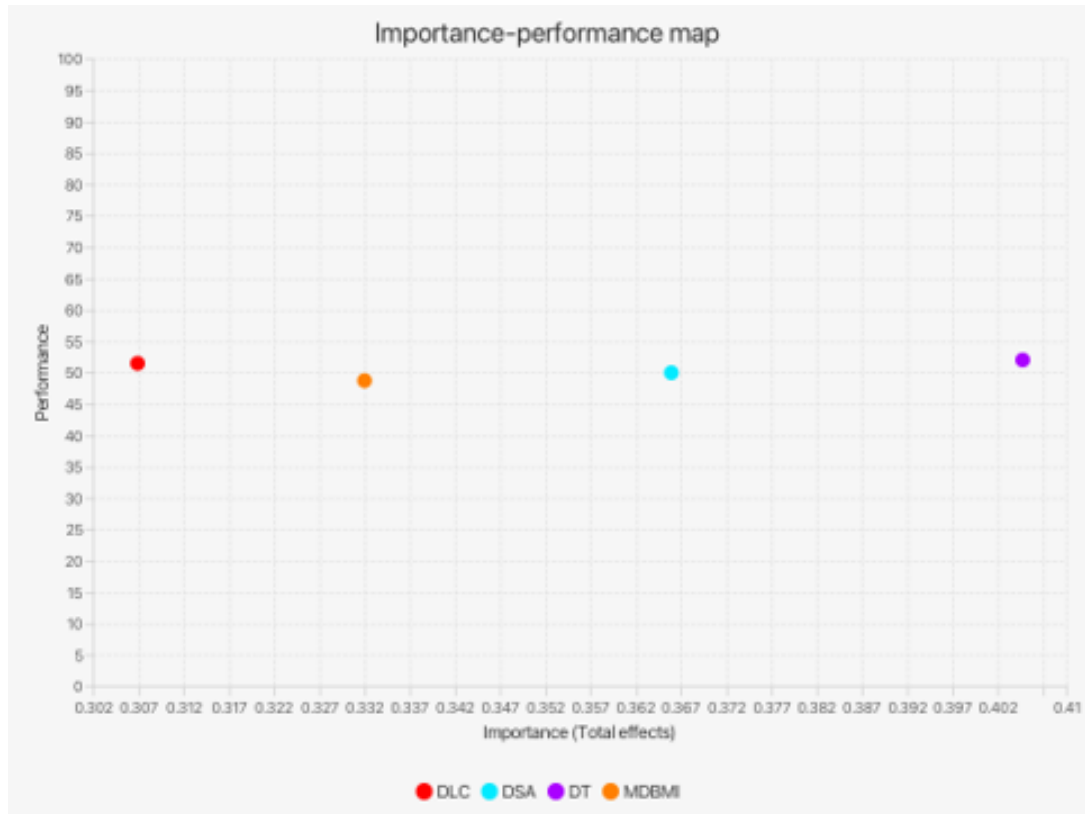


Figure 4.2 Importance-Performance Map Analysis for Sustainable Business Performance (SBP)

Construct	Importance (Total Effect)	Performance (0–100)	Priority Strategic
Digital Transformation (DT)	0.405	52.040	Highest importance and highest performance
Digitalization Strategy Adoption (DSA)	0.366	50.005	High importance and moderate performance
Market Driven Business Model Innovation (MDBMI)	0.332	48.762	Important but lowest performance
Digital Leadership Capability (DLC)	0.307	51.496	Moderate importance and moderate performance

Table 4.11 Importance Performance Map Analysis Results for Sustainable Business Performance (SBP)

As shown in Table 4.11, Digital Transformation (DT) has the highest importance in terms of Sustainable Business Performance (SBP), with an importance value of 0.405 and a performance score of 52.040. This indicates that Digital Transformation (DT) is the most important predictor of Sustainable Business Performance (SBP) in the IPMA results and has the highest performance level among the predictor constructs. Digitalization Strategy Adoption (DSA) has the second highest importance score of 0.366, with a performance score of 50.005. This suggests that Digitalization Strategy Adoption (DSA) is an important contributor to Sustainable Business Performance (SBP), although its performance level remains moderate and can still be improved. Market Driven Business Model Innovation (MDBMI) has an importance score of 0.332 and the lowest performance score of 48.762. Although Market Driven Business Model Innovation (MDBMI) contributes meaningfully to Sustainable Business Performance (SBP), its relatively low performance indicates that it represents a key managerial improvement area. Organizations should strengthen their ability to translate Digitalization Strategy Adoption (DSA) and Digital Transformation (DT) into Market Driven Business Model Innovation (MDBMI) redesign. Digital Leadership Capability (DLC) has an importance score of 0.307 and a performance score of 51.496. This result indicates that Digital Leadership Capability (DLC) remains relevant in supporting Sustainable Business Performance (SBP), particularly through leadership alignment, governance, execution, and organizational change capability.

Overall, the IPMA results show that Digital Transformation (DT), Digitalization Strategy Adoption (DSA), Market Driven Business Model Innovation (MDBMI), and Digital Leadership Capability (DLC) all contribute to Sustainable Business Performance (SBP) with different levels of importance and performance. Digital Transformation (DT) appears to be the strongest priority in terms of importance, while Market Driven Business Model Innovation (MDBMI) requires greater managerial attention because it has the lowest performance score. This finding supports the broader interpretation that Digitalization Strategy Adoption (DSA) and Digital Transformation (DT) may contribute directly to sustainable performance, but

their integration into Market Driven Business Model Innovation (MDBMI) remains relatively weak.

The indicator-level IPMA shows that most indicators are positioned within a moderate performance range, while several indicators demonstrate relatively higher importance for Sustainable Business Performance (SBP). The most important indicators include MDBMI5, DT4, DSA4, DT5, and DSA5. These results suggest that ecosystem adaptation, continuous scaling of digital transformation, digital strategy evaluation, technology integration, and long-term digital commitment represent important managerial priorities. Overall, the findings indicate that improving Sustainable Business Performance (SBP) requires not only technology implementation, but also stronger alignment between digital strategy, transformation execution, and market-driven business model innovation.

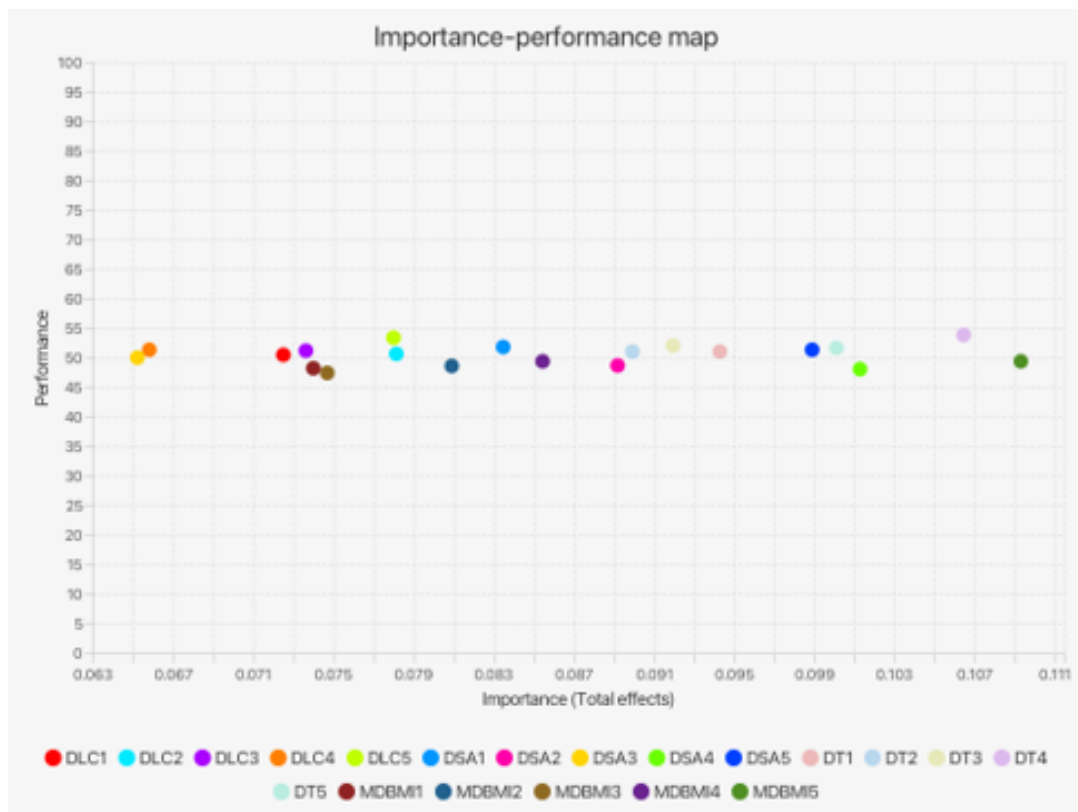


Figure 4.3 Indicator Level Importance-Performance Map

4.10 Summary of Hypothesis Testing

The overall hypothesis testing results are summarized in Table 4.12. This study tested eight hypotheses consisting of five direct effects, two mediation effects, and one moderation effect. The results show that three direct effect hypotheses are significant. Market-Driven Business Model Innovation (MDBMI) has a positive and significant effect on Sustainable Business Performance (SBP), supporting H3. Digitalization Strategy Adoption (DSA) also has a positive and significant direct effect on Sustainable Business Performance (SBP), supporting H4. In addition, Digital Transformation (DT) has a positive and significant direct effect on Sustainable Business Performance (SBP), supporting H5.

However, H1 and H2 are not significant. Digitalization Strategy Adoption (DSA) does not significantly influence Market-Driven Business Model Innovation (MDBMI), and Digital Transformation (DT) also does not significantly influence Market-Driven Business Model Innovation (MDBMI). These results indicate that Digital Strategy Adoption (DSA) and Digital Transformation (DT) directly contribute to Sustainable Business Performance (SBP), but they do not necessarily translate into Market Driven Business Model Innovation (MDBMI) redesign.

The mediation hypotheses, H6 and H7, are also not significant. Market-Driven Business Model Innovation (MDBMI) does not mediate the relationship between Digitalization Strategy Adoption (DSA) and Sustainable Business Performance (SBP), nor does it mediate the relationship between Digital Transformation (DT) and Sustainable Business Performance (SBP). For the moderation hypothesis, H8 is not significant in the hypothesized positive direction. Although the interaction effect between Digital Leadership Capabilities (DLC) and Market-Driven Business Model Innovation (MDBMI) is statistically significant, the coefficient is negative. This indicates that Digital Leadership Capabilities (DLC) do not strengthen the positive relationship between Market-Driven Business Model Innovation (MDBMI) and Sustainable Business Performance (SBP) as proposed.

Overall, the hypothesis testing results suggest that Digitalization Strategy Adoption (DSA), Digital Transformation (DT), and Market-Driven Business Model Innovation (MDBMI) directly contribute to Sustainable Business Performance (SBP). However, the not significant effects of Digitalization Strategy Adoption (DSA) and Digital

Transformation (DT) on Market-Driven Business Model Innovation (MDBMI), together with the not significant mediation results, indicate that digital capabilities and Business Model innovation may operate through separate organizational pathways rather than as one integrated capability chain.

H	Relationship	β	p-value	Result
H1	DSA $\rightarrow$ MDBMI	0.106	0.063	Not Significant
H2	DT $\rightarrow$ MDBMI	0.017	0.778	Not Significant
H3	MDBMI $\rightarrow$ SBP	0.332	<0.001	Significant
H4	DSA $\rightarrow$ SBP	0.331	<0.001	Significant
H5	DT $\rightarrow$ SBP	0.399	<0.001	Significant
H6	DSA $\rightarrow$ MDBMI $\rightarrow$ SBP	0.035	0.068	Not Significant
H7	DT $\rightarrow$ MDBMI $\rightarrow$ SBP	0.006	0.778	Not Significant
H8	DLC $\times$ MDBMI $\rightarrow$ SBP	-0.070	0.027	Not Significant in the hypothesized positive direction

Note: Digitalization Strategy Adoption (DSA), Digital Transformation (DT), Market Driven Business Model Innovation (MDBMI), Digitalization Strategy Adoption (DSA), Sustainable Business Performance (SBP), Digital Leadership Capability (DLC)

Table 4.12 Summary of Hypothesis Testing Results

Note: H8 shows a statistically significant interaction effect, but the coefficient is negative. Therefore, H8 is not significant because the hypothesized direction was positive.

4.11 Summary of Chapter 4

This chapter presented the results of measurement model evaluation, structural model evaluation, hypothesis testing, and Importance-Performance Map Analysis (IPMA). The analysis was conducted using PLS-SEM with SmartPLS 4.

The measurement model results show that all 27 indicators were retained and met the recommended reliability and validity thresholds. All outer loadings exceeded 0.70, Cronbach's Alpha and Composite Reliability values were above 0.70, and AVE

values exceeded 0.50. The Fornell-Larcker Criterion and HTMT results also confirmed discriminant validity. Therefore, the measurement model was considered reliable and valid.

The structural model evaluation showed that the model had moderate explanatory power for Sustainable Business Performance, with an R^2 value of 0.552. However, the R^2 value for Market-Driven Business Model Innovation (MDBMI) was only 0.012, indicating that Digitalization Strategy Adoption (DSA) and Digital Transformation (DT) explained very little variance in Market-Driven Business Model Innovation (MDBMI). This result suggests a weak explanatory link between digital capabilities and business model innovation.

The hypothesis testing results showed that H3, H4, and H5 were significant. Market-Driven Business Model Innovation (MDBMI), Digitalization Strategy Adoption (DSA), and Digital Transformation (DT) each had positive and significant direct effects on Sustainable Business Performance (SBP). However, H1 and H2 were not significant, indicating that Digitalization Strategy Adoption (DSA) and Digital Transformation (DT) did not significantly influence Market-Driven Business Model Innovation (MDBMI).

The mediation results showed that H6 and H7 were not significant. Market-Driven Business Model Innovation (MDBMI) did not mediate the relationship between Digitalization Strategy Adoption (DSA) and Sustainable Business Performance (SBP), nor did it mediate the relationship between Digital Transformation (DT) and Sustainable Business Performance (SBP). The moderation result showed that H8 was not significant in the hypothesized positive direction. Although the interaction effect between Digital Leadership Capabilities (DLC) and Market-Driven Business Model Innovation (MDBMI) was statistically significant, the coefficient was negative.

The IPMA results further showed that Digital Transformation (DT) had the highest importance score toward Sustainable Business Performance (SBP), while Market-Driven Business Model Innovation (MDBMI) had the lowest performance score

among the predictor constructs. This indicates that Market-Driven Business Model Innovation (MDBMI) remains an important area for managerial improvement.

Overall, the results suggest that Digitalization Strategy Adoption (DSA), Digital Transformation (DT), Market-Driven Business Model Innovation (MDBMI), and Digital Leadership Capabilities (DLC) contribute to Sustainable Business Performance (SBP) through separate pathways. However, Digitalization Strategy Adoption (DSA) and Digital Transformation (DT) do not significantly translate into Market-Driven Business Model Innovation (MDBMI). This pattern provides the empirical basis for the organizational silo phenomenon, which is discussed further in Chapter 5.

CHAPTER 5

DISCUSSION AND CONCLUSION

This chapter discusses the empirical findings of the study in relation to the theoretical framework, prior literature, and the Indonesian organizational context. The study examined eight hypotheses concerning the relationships among Digitalization Strategy Adoption (DSA), Digital Transformation (DT), Market-Driven Business Model Innovation (MDBMI), Digital Leadership Capabilities (DLC), and Sustainable Business Performance (SBP).

As presented in Table 4.8, the results show that Digitalization Strategy Adoption (DSA), Digital Transformation (DT), and Market-Driven Business Model Innovation (MDBMI), have significant direct effects on Sustainable Business Performance (SBP). Specifically, Digitalization Strategy Adoption (DSA) has a positive and significant effect on Sustainable Business Performance (SBP). Digital Transformation (DT) has a positive and significant effect on Sustainable Business Performance (SBP), and Market-Driven Business Model Innovation (MDBMI) has a positive and significant effect on Sustainable Business Performance (SBP). In addition, the additional analysis shows that Digital Leadership Capability (DLC) also has a significant direct effect on Sustainable Business Performance (SBP). These findings indicate that digital strategy, digital transformation, business model innovation, and digital leadership capabilities each contribute directly to sustainable business performance.

However, the results also show that Digitalization Strategy Adoption (DSA) and Digital Transformation (DT) do not significantly influence Market-Driven Business Model Innovation (MDBMI), as presented in Table 4.8. Furthermore, MDBMI does not mediate the relationship between Digitalization Strategy Adoption (DSA) and Sustainable Business Performance (SBP) or the relationship between Digital Transformation (DT) and SBP, as shown in Table 4.9. This indicates that although Digitalization Strategy Adoption (DSA) and Digital Transformation (DT) directly contribute to Sustainable Business Performance (SBP), they do not operate through

Market-Driven Business Model Innovation (MDBMI) as the expected mediating mechanism.

The moderation result also provides an important finding. As shown in Table 4.10, Digital Leadership Capability (DLC) has a significant negative moderating effect on the relationship between Market-Driven Business Model Innovation (MDBMI) and SBP. The moderation plot in Figure 4.1 further illustrates that the Market-Driven Business Model Innovation (MDBMI) – Sustainable Business Performance (SBP) relationship remains positive across different levels of Digital Leadership Capability (DLC), but the slope becomes weaker when Digital Leadership Capability (DLC) is high. This suggests that Digital Leadership Capability (DLC) does not strengthen the Market-Driven Business Model Innovation (MDBMI) – Sustainable Business Performance (SBP) relationship as originally hypothesized. Instead, Digital Leadership Capability (DLC) may function more as a direct contributor to SBP than as a positive moderator.

Taken together, these findings indicate that digital strategy, digital transformation, business model innovation, and digital leadership capabilities contribute to sustainable business performance through separate pathways rather than as one fully integrated capability chain. This pattern forms the basis for the central theoretical interpretation of this study, namely the organizational silo phenomenon. This interpretation is consistent with the concept of organizational decoupling, where formal strategies, operational practices, and organizational outcomes may not be fully integrated across functions (DiMaggio & Powell, 1983).

5.1 Discussion of Key Findings

This section discusses the key empirical findings of this study in relation to the theoretical framework, prior literature, and the Indonesian organizational context. The discussion is organized according to the main hypothesis testing results presented in Chapter 4. First, Digitalization Strategy Adoption (DSA) does not significantly influence Market-Driven Business Model Innovation (MDBMI). Second, Digital Transformation (DT) does not significantly influence Market-Driven

Business Model Innovation (MDBMI). Third, Market-Driven Business Model Innovation (MDBMI) significantly influences Sustainable Business Performance (SBP). Fourth, Digitalization Strategy Adoption (DSA) and Digital Transformation (DT) directly influence Sustainable Business Performance (SBP). Fifth, Market-Driven Business Model Innovation (MDBMI) does not mediate the relationships between DSA, Digital Transformation (DT), and Sustainable Business Performance (SBP). Sixth, Digital Leadership Capability (DLC) contributes directly to Sustainable Business Performance (SBP) but has a significant negative moderating effect on the Market-Driven Business Model Innovation (MDBMI) – Sustainable Business Performance (SBP) relationship. Finally, these findings are interpreted as evidence of an organizational silo phenomenon in the Indonesian BUMN and Tbk context.

5.1.1 Digitalization Strategy Adoption (DSA) Does Not Significantly Influence Market-Driven Business Model Innovation (MDBMI)

The first finding shows that Digitalization Strategy Adoption (DSA) does not significantly influence Market-Driven Business Model Innovation (MDBMI). As presented in Table 4.8, the relationship between Digitalization Strategy Adoption (DSA) and Market-Driven Business Model Innovation (MDBMI) is positive but not statistically significant, with $\beta = 0.106$ and $p = 0.063$. Therefore, H1 is not significant.

This result indicates that formal digitalization strategy adoption does not automatically translate into market-driven business model innovation. In the context of Indonesian BUMN, Tbk companies, and BUMN subsidiaries, organizations may have digital strategies, digital roadmaps, or formal digital initiatives, but these strategies may not necessarily lead to changes in value proposition, revenue model, customer engagement, market responsiveness, or ecosystem collaboration.

From the perspective of Dynamic Capabilities Theory, this finding suggests that the sensing and seizing digital opportunities may not be sufficient unless organizations are also able to transform and reconfigure their resources, processes, and business models (Teece, 2007). Digitalization Strategy Adoption (DSA) may represent

strategic intention, but business model innovation requires stronger execution capability, cross-functional coordination, market orientation, and organizational reconfiguration.

This finding may also reflect a strategy and innovation gap. Digital strategy is often formulated at the corporate or top management level, while business model innovation requires implementation across commercial, operational, innovation, and customer-facing functions. When these functions are not sufficiently integrated, digital strategy may remain formal and strategic but not fully translated into market-driven business model redesign.

Therefore, the non-significant effect of Digitalization Strategy Adoption (DSA) on Market-Driven Business Model Innovation (MDBMI) supports the broader interpretation that digital strategy and business model innovation may operate through separate organizational pathways. This result contributes to the organizational silo phenomenon identified in this study, where digital strategy exists within the organization but is not yet fully integrated with business model innovation.

5.1.2 Digital Transformation (DT) Does Not Significantly Influence Market-Driven Business Model Innovation (MDBMI)

The second finding shows that Digital Transformation (DT) does not significantly influence Market-Driven Business Model Innovation (MDBMI). As presented in Table 4.8, the relationship between Digital Transformation (DT) and Market-Driven Business Model Innovation (MDBMI) is positive but not statistically significant, with $\beta = 0.017$ and $p = 0.778$. Therefore, H2 is not significant. This result indicates that digital transformation initiatives do not automatically lead to market-driven business model innovation. In the context of Indonesian BUMN, Tbk companies, and BUMN subsidiaries, organizations may have implemented digital technologies, automated internal processes, developed digital systems, or improved data infrastructure. However, these initiatives may remain focused on operational efficiency rather than on redesigning the firm's value proposition, revenue model, customer engagement, or ecosystem configuration.

This interpretation is consistent with the view that digital transformation should not be understood merely as technology implementation, but as a broader organizational transformation that involves changes in processes, structures, business models, and value creation logic (Vial, 2019; Verhoef et al., 2021). The insignificant relationship between Digital Transformation (DT) and Market-Driven Business Model Innovation (MDBMI) suggests that digital transformation in the sampled organizations may not yet have reached the level of business model reconfiguration.

From the perspective of Dynamic Capabilities Theory, Digital Transformation (DT) should enable organizations to seize opportunities and transform resources in response to environmental change (Teece, 2007). However, the result of this study suggests that the transforming capability may remain underdeveloped. Digital Transformation (DT) may have been implemented, but their use may not yet be sufficiently connected to market sensing, customer needs, sustainability demands, and business model redesign.

This finding may reflect a transformation–innovation gap. Digital Transformation (DT) is often managed by IT, digital, or operational units, while business model innovation requires involvement from strategy, commercial, business development, customer-facing, and sustainability functions. When these functions are not sufficiently connected, digital transformation may improve operational processes without producing market-driven business model innovation.

Therefore, the non-significant effect of Digital Transformation (DT) on Market-Driven Business Model Innovation (MDBMI) supports the broader organizational silo interpretation of this study. Digital Transformation (DT) may exist within the organization, but it does not necessarily function as a pathway toward business model innovation unless it is integrated with market orientation, innovation governance, and cross-functional execution.

5.1.3 Market-Driven Business Model Innovation (MDBMI) Significantly Influences Sustainable Business Performance (SBP)

The third finding shows that Market-Driven Business Model Innovation (MDBMI) has a positive and significant effect on Sustainable Business Performance (SBP). As presented in Table 4.8, the relationship between Market-Driven Business Model Innovation (MDBMI) and Sustainable Business Performance (SBP) is significant, with $\beta = 0.332$ and $p < 0.001$. Therefore, H3 is significant.

This result indicates that organizations that are able to redesign their business models in response to market dynamics, customer needs, competitive pressure, and sustainability demands are more likely to achieve stronger sustainable business performance. In this study, Market-Driven Business Model Innovation (MDBMI) contributes to Sustainable Business Performance (SBP) by enabling organizations to adjust their value proposition, value creation processes, value delivery mechanisms, revenue models, and business ecosystem relationships.

This finding is consistent with business model innovation literature, which argues that business model innovation supports organizational competitiveness by changing how firms create, deliver, and capture value (Foss & Saebi, 2017; Clauss, 2017). In the sustainability context, business model innovation also allows firms to integrate economic, environmental, and social objectives into the logic of value creation and value capture (Schaltegger & Wagner, 2011).

From the perspective of Dynamic Capabilities Theory, this finding reflects the importance of transforming capability. Organizations need to reconfigure resources, capabilities, processes, and business models in response to changing external conditions (Teece, 2007). The significant effect of Market-Driven Business Model Innovation (MDBMI) on Sustainable Business Performance (SBP) suggests that business model reconfiguration is an important mechanism for achieving sustainable performance.

However, the result should also be interpreted together with the not significant effects of Digitalization Strategy Adoption (DSA) and Digital Transformation (DT) on Market-Driven Business Model Innovation (MDBMI). Although Market-Driven

Business Model Innovation (MDBMI) significantly improves Sustainable Business Performance (SBP), the findings show that it is not significantly driven by DSA or DT in this study. This indicates that Market-Driven Business Model Innovation (MDBMI) functions as a direct contributor to Sustainable Business Performance (SBP), but not as the expected mediating mechanism between digital initiatives and sustainable performance.

Therefore, the significant effect of Market-Driven Business Model Innovation (MDBMI) on Sustainable Business Performance (SBP) confirms the importance of business model innovation in improving sustainable performance. At the same time, it also strengthens the organizational silo interpretation, because business model innovation contributes to Sustainable Business Performance (SBP) independently rather than operating as an integrated outcome of digital strategy and digital transformation.

5.1.4 Digitalization Strategy Adoption (DSA) Directly Influences Sustainable Business Performance (SBP)

The fourth finding shows that Digitalization Strategy Adoption (DSA) has a positive and significant direct effect on Sustainable Business Performance (SBP). As presented in Table 4.8, the relationship between Digitalization Strategy Adoption (DSA) and Sustainable Business Performance (SBP) is significant, with $\beta = 0.331$ and $p < 0.001$. Therefore, H4 is significant.

This result indicates that the adoption of a formal digitalization strategy can directly contribute to sustainable business performance. In the context of Indonesian BUMN, Tbk companies, and BUMN subsidiaries, digitalization strategy may help organizations improve strategic alignment, allocate resources more effectively, strengthen digital governance, and support long-term sustainability-oriented decision-making.

This finding is consistent with the digital strategy literature, which argues that digital strategy enables organizations to align digital initiatives with corporate objectives

and create strategic value from digital resources (Bharadwaj et al., 2013; Westerman et al., 2014). From the perspective of Dynamic Capabilities Theory, Digitalization Strategy Adoption (DSA) may reflect the organization's ability to sense and seize digital opportunities by embedding digital priorities into strategic planning and resource allocation (Teece, 2007).

However, this finding should be interpreted together with the non-significant effect of Digitalization Strategy Adoption (DSA) on Market-Driven Business Model Innovation (MDBMI). Although Digitalization Strategy Adoption (DSA) directly improves Sustainable Business Performance (SBP), it does not significantly influence Market-Driven Business Model Innovation (MDBMI) in this study. This suggests that digital strategy may support sustainable performance through direct strategic and operational mechanisms, but not necessarily through business model innovation.

In other words, digitalization strategy may help organizations improve performance by strengthening governance, resource allocation, strategic direction, digital investment prioritization, and sustainability alignment. However, these improvements may occur without fundamentally redesigning the organization's business model. This explains why Digitalization Strategy Adoption (DSA) can directly influence Sustainable Business Performance (SBP) while failing to significantly translate into Market-Driven Business Model Innovation (MDBMI).

Therefore, the significant direct effect of Digitalization Strategy Adoption (DSA) on Sustainable Business Performance (SBP) strengthens the organizational silo interpretation of this study. Digitalization strategy contributes to sustainable business performance, but it appears to operate through a separate pathway from market-driven business model innovation.

5.1.5 Digital Transformation (DT) Directly Influences Sustainable Business Performance (SBP)

The fifth finding shows that Digital Transformation (DT) has a positive and significant direct effect on Sustainable Business Performance (SBP). As presented in Table 4.8, the relationship between Digital Transformation (DT) and Sustainable Business Performance (SBP) is significant, with $\beta = 0.399$ and $p < 0.001$. Therefore, H5 is significant.

This result indicates that digital transformation directly contributes to sustainable business performance. Among the direct predictors in this study, Digital Transformation (DT) shows the strongest direct effect on Sustainable Business Performance (SBP). This suggests that organizations that implement and integrate digital technologies across operations, processes, decision-making, and service delivery are more likely to achieve stronger sustainable performance outcomes.

This finding is consistent with prior studies that view digital transformation as an organizational change process that can improve efficiency, responsiveness, innovation capacity, and performance outcomes (Vial, 2019; Verhoef et al., 2021). Digital Transformation (DT) may support sustainable business performance through process automation, data-driven decision-making, cost efficiency, service improvement, transparency, and better monitoring of environmental and social performance indicators.

From the perspective of Dynamic Capabilities Theory, digital transformation reflects the organization's ability to reconfigure operational and technological resources in response to changing business environments (Teece, 2007). In this study, the significant Digital Transformation (DT) $\rightarrow$ Sustainable Business Performance (SBP) relationship suggests that digital transformation can directly support sustainable performance by improving organizational efficiency, agility, and responsiveness.

However, this result should be interpreted together with the non-significant effect of Digital Transformation (DT) on Market-Driven Business Model Innovation

(MDBMI). Although Digital Transformation (DT) directly improves Sustainable Business Performance (SBP), it does not significantly influence Market-Driven Business Model Innovation (MDBMI) in this study. This indicates that digital transformation may improve how organizations operate, but it does not necessarily change how organizations create, deliver, and capture value through business model innovation.

Therefore, the significant direct effect of Digital Transformation (DT) on Sustainable Business Performance (SBP) strengthens the organizational silo interpretation. Digital transformation contributes directly to sustainable business performance, but its connection to market-driven business model innovation remains weak. This suggests that digital transformation initiatives may still be concentrated in operational or technological domains rather than being fully integrated with business model redesign.

5.1.6 Market-Driven Business Model Innovation (MDBMI) Does Not Mediate the Relationships between Digitalization Strategy Adoption (DSA), Digital Transformation (DT), and Sustainable Business Performance (SBP)

The sixth and seventh findings show that Market-Driven Business Model Innovation (MDBMI) does not mediate the relationship between Digitalization Strategy Adoption and Sustainable Business Performance (SBP), nor between Digital Transformation (DT) and Sustainable Business Performance (SBP). As presented in Table 4.9, the indirect effect of Digitalization Strategy Adoption (DSA) → Market-Driven Business Model Innovation (MDBMI) → Sustainable Business Performance (SBP) is positive but not statistically significant, with $\beta = 0.035$ and $p = 0.068$. Similarly, the indirect effect of Digital Transformation (DT) → Market-Driven Business Model Innovation (MDBMI) → Sustainable Business Performance (SBP) is also not statistically significant, with $\beta = 0.006$ and $p = 0.778$. Therefore, H6 and H7 are not significant.

These results indicate that Market-Driven Business Model Innovation (MDBMI) does not function as the mediating mechanism through which Digitalization Strategy

Adoption (DSA) and Digital Transformation (DT) influence Sustainable Business Performance (SBP) in this study. Although Digitalization Strategy Adoption (DSA) and Digital Transformation (DT) have significant direct effects on Sustainable Business Performance (SBP), as shown in Table 4.8, their effects are not transmitted through Market-Driven Business Model Innovation (MDBMI). This means that digital strategy and digital transformation may directly improve sustainable performance, but they do not necessarily trigger market-driven business model innovation as the intermediate pathway.

From the perspective of Dynamic Capabilities Theory, the not significant mediation results suggest that the expected capability chain from sensing, seizing, and transforming is not fully integrated. Digitalization Strategy Adoption (DSA) may reflect strategic sensing and resource commitment, while Digital Transformation (DT) may reflect technological and operational transformation. However, these capabilities do not appear to be sufficiently connected to business model reconfiguration, which represents the transforming capability in a more strategic sense (Teece, 2007).

This finding also challenges the assumption that digital capabilities automatically generate sustainable performance through business model innovation. Prior literature suggests that business model innovation can function as a mechanism through which firms redesign value creation and value capture in response to technological and market change (Foss & Saebi, 2017; Clauss, 2017). However, the empirical results of this study show that this mechanism is not significant in the Indonesian BUMN, Tbk, and BUMN subsidiary context.

In practical terms, the not significant mediation effects suggest that organizations should not assume that digital strategy or digital transformation will naturally lead to business model redesign. Digital initiatives may improve governance, efficiency, reporting, decision-making, and operational responsiveness, but business model innovation requires deliberate market-oriented reconfiguration of value propositions, revenue models, partnerships, and sustainability-oriented value creation.

Therefore, the non-significant mediation results strengthen the organizational silo interpretation. Digitalization Strategy Adoption (DSA), Digital Transformation (DT), and Market-Driven Business Model Innovation (MDBMI) each contribute to SBP through separate pathways, but Digitalization Strategy Adoption (DSA) and Digital Transformation (DT) do not significantly operate through Market-Driven Business Model Innovation (MDBMI). This indicates that digital capabilities and market-driven business model innovation are not yet fully integrated into one coherent transformation system.

5.1.7 Digital Leadership Capability (DLC) as a Direct Contributor and Negative Moderator

The next finding shows that Digital Leadership Capability (DLC) has an important role in explaining Sustainable Business Performance. In additional direct effect analysis, Digital Leadership Capability (DLC) has a positive and significant direct effect on SBP, with $\beta = 0.307$ and $p < 0.001$, as presented in Table 4.8. This indicates that organizations with stronger digital leadership capabilities are more likely to achieve higher sustainable business performance.

This finding suggests that digital leadership contributes to sustainable business performance by providing strategic direction, digital vision, resource alignment, cross-functional coordination, and execution support. In the context of Indonesian BUMN, Tbk companies, and BUMN subsidiaries, digital leadership may help organizations align digital initiatives with sustainability objectives and ensure that transformation efforts are executed more effectively across organizational functions.

However, the moderation result shows a different pattern. As presented in Table 4.10, the interaction effect of Digital Leadership Capability (DLC) $\times$ Market-Driven Business Model Innovation (MDBMI) on Sustainable Business Performance (SBP) is negative and significant, with $\beta = -0.070$ and $p = 0.027$. Therefore, H8 is statistically significant, but the direction of the moderation is negative rather than positive. This means that Digital Leadership Capability (DLC) does not strengthen

the relationship between Market-Driven Business Model Innovation (MDBMI) and Sustainable Business Performance (SBP) as originally hypothesized.

The moderation plot in Figure 4.1 further shows that the relationship between Market-Driven Business Model Innovation (MDBMI) and Sustainable Business Performance (SBP) remains positive across different levels of Digital Leadership Capability (DLC). However, the slope becomes weaker when Digital Leadership Capability (DLC) is high. This indicates that Market-Driven Business Model Innovation (MDBMI) still contributes to Sustainable Business Performance (SBP), but its marginal effect becomes smaller under higher levels of Digital Leadership Capabilities (DLC).

This finding should not be interpreted as Digital Leadership Capability (DLC) being harmful to sustainable business performance. Instead, the direct effect result shows that Digital Leadership Capability (DLC) positively contributes to Sustainable Business Performance (SBP). The negative moderation suggests a possible substitution effect, where strong digital leadership may partially substitute the role of market-driven business model innovation in improving sustainable business performance.

This interpretation can be explained through situational leadership theory. Situational leadership theory argues that effective leadership depends on the ability of leaders to adapt their leadership behavior to the readiness, maturity, and capability of followers (Hersey & Blanchard, 1969; Blank et al., 1990). When teams and functional units have sufficient readiness and capability, digital leaders may contribute to performance by delegating execution, aligning resources, coordinating functions, and ensuring disciplined implementation.

In this situation, organizations may rely more on leadership-driven governance and execution rather than on continuous business model redesign as the main pathway to sustainable performance. As a result, the marginal contribution of Market-Driven Business Model Innovation (MDBMI) to Sustainable Business Performance (SBP) becomes weaker when Digital Leadership Capability (DLC) is high. This explains

why Digital Leadership Capability (DLC) has a positive direct effect on Sustainable Business Performance (SBP) but a negative moderating effect on the Market-Driven Business Model Innovation (MDBMI) – Sustainable Business Performance (SBP) relationship.

Therefore, the finding suggests that Digital Leadership Capability (DLC) operates more strongly as a direct contributor to Sustainable Business Performance (SBP) than as a positive moderator of the Market-Driven Business Model Innovation (MDBMI) – Sustainable Business Performance (SBP) relationship. This result also supports the broader organizational silo interpretation, because digital leadership, business model innovation, and sustainable performance appear to operate through partially separate mechanisms rather than as one fully integrated capability system.

5.1.8 Organizational Silo Phenomenon

The overall pattern of findings in this study suggests an organizational silo phenomenon. This interpretation is derived from several empirical results presented in Chapter 4. First, Digitalization Strategy Adoption (DSA) and Digital Transformation (DT) do not significantly influence Market-Driven Business Model Innovation (MDBMI), as shown in Table 4.8. Second, Digitalization Strategy Adoption (DSA), Digital Transformation (DT), Market-Driven Business Model Innovation (MDBMI), and Digital Leadership Capability (DLC) each have significant direct effects on Sustainable Business Performance (SBP), as presented in Table 4.8. Third, Market-Driven Business Model Innovation (MDBMI) does not mediate the relationships between Digitalization Strategy Adoption (DSA), Digital Transformation (DT), and Sustainable Business Performance (SBP), as shown in Table 4.9. Fourth, Digital Leadership Capability (DLC) has a positive direct effect on Sustainable Business Performance (SBP) but a significant negative moderating effect on the Market-Driven Business Model Innovation (MDBMI)– Sustainable Business Performance (SBP) relationship, as shown in Table 4.8, Table 4.10, and Figure 4.1.

Taken together, these results indicate that digitalization strategy, digital transformation, market-driven business model innovation, and digital leadership capabilities contribute to sustainable business performance through separate pathways rather than through one fully integrated capability chain. In other words, the organization may possess digital strategies, implement digital transformation initiatives, conduct business model innovation, and develop digital leadership capabilities, but these elements may not yet be fully connected as an integrated transformation system.

This pattern can be interpreted as an organizational silo phenomenon. Digitalization Strategy Adoption (DSA) may remain at the strategic planning or corporate governance level. Digital transformation may be concentrated in technological, operational, or process improvement domains. Market-Driven Business Model Innovation (MDBMI) may be managed separately through commercial, business development, or market-facing activities. Meanwhile, Digital Leadership Capability (DLC) may directly support performance through governance, alignment, delegation, and execution control.

This interpretation is consistent with the concept of organizational decoupling, where formal structures, strategic intentions, operational practices, and actual organizational outcomes may not always be tightly integrated (DiMaggio & Powell, 1983). From the perspective of Dynamic Capabilities Theory, the findings also suggest that sensing, seizing, and transforming capabilities may exist within organizations, but they may not be sufficiently connected to produce an integrated transformation capability system (Teece, 2007).

In the context of Indonesian BUMN, Tbk companies, and BUMN subsidiaries, this phenomenon may occur because digital initiatives are often distributed across different organizational functions. Strategy teams may focus on digital roadmaps, IT or transformation teams may focus on technology implementation, commercial teams may focus on market and customer initiatives, and leadership teams may focus on governance and execution. When these functions are not sufficiently integrated, digital strategy and digital transformation may improve sustainable business

performance directly, but may fail to generate market-driven business model innovation as the expected intermediate mechanism.

Therefore, the organizational silo phenomenon becomes the central theoretical interpretation of this study. The findings suggest that improving sustainable business performance requires more than adopting digital strategies or implementing digital technologies. Organizations need stronger integration between digital strategy, digital transformation, business model innovation, digital leadership, and sustainability execution.

5.2 Theoretical Contributions

This study provides several theoretical contributions to the literature on digitalization strategy, digital transformation, business model innovation, digital leadership, and sustainable business performance.

First, this study contributes to the digital transformation and sustainability literature by showing that Digitalization Strategy Adoption (DSA) and Digital Transformation (DT) directly influence Sustainable Business Performance (SBP). As presented in Table 4.8, both Digitalization Strategy Adoption (DSA) and Digital Transformation (DT) have positive and significant effects on Sustainable Business Performance (SBP). This finding extends prior studies by demonstrating that digital strategy and digital transformation can contribute directly to sustainable performance outcomes, particularly in the context of Indonesian BUMN, Tbk companies, and BUMN subsidiaries.

Second, this study contributes to the business model innovation literature by confirming that Market-Driven Business Model Innovation (MDBMI) has a positive and significant effect on Sustainable Business Performance (SBP). As shown in Table 4.8, Market-Driven Business Model Innovation (MDBMI) significantly influences Sustainable Business Performance (SBP). This finding supports the view that business model innovation is an important mechanism for improving organizational performance through changes in value proposition, value creation, value delivery, and value capture (Foss & Saebi, 2017; Clauss, 2017).

Third, this study contributes to Dynamic Capabilities Theory by showing that digital capabilities do not automatically form an integrated capability chain. Although Digitalization Strategy Adoption (DSA) and Digital Transformation (DT) directly improve Sustainable Business Performance (SBP), they do not significantly influence Market-Driven Business Model Innovation (MDBMI), and Market-Driven Business Model Innovation (MDBMI) does not mediate the relationships between Digitalization Strategy Adoption (DSA), Digital Transformation (DT), and Sustainable Business Performance (SBP), as shown in Table 4.8 and Table 4.9. This suggests that sensing, seizing, and transforming capabilities may exist within organizations but may not be sufficiently integrated into one coherent transformation system (Teece, 2007).

Fourth, this study contributes to the digital leadership literature by showing that Digital Leadership Capabilities (DLC) have two different roles. As shown in Table 4.8, Digital Leadership Capability (DLC) directly contributes to Sustainable Business Performance (SBP). However, as shown in Table 4.10 and Figure 4.1, Digital Leadership Capability (DLC) negatively moderates the relationship between Market-Driven Business Model Innovation (MDBMI) and Sustainable Business Performance (SBP). This finding extends the understanding of digital leadership by suggesting that digital leadership may function not only as an amplifier of innovation outcomes, but also as a direct performance driver that may partially substitute the marginal role of business model innovation under certain organizational conditions.

Fifth, this study introduces the organizational silo phenomenon as a theoretical interpretation of the empirical findings. The not significant effects of Digitalization Strategy Adoption (DSA) and Digital Transformation (DT) on Market-Driven Business Model Innovation (MDBMI), the not significant mediation effects of Market-Driven Business Model Innovation (MDBMI), and the separate direct effects of Digitalization Strategy Adoption (DSA), Digital Transformation (DT), Market-Driven Business Model Innovation (MDBMI), and Digital Leadership Capability (DLC) on Sustainable Business Performance (SBP) suggest that these capabilities may operate through separate pathways. This contributes to the literature by highlighting that the presence of digital strategy, digital transformation, business

model innovation, and digital leadership does not necessarily mean that these elements are fully integrated within the organization.

Finally, this study contributes to the literature in an emerging market and state-linked organizational context. By examining Indonesian publicly listed companies, state-owned enterprises, and subsidiaries of state-owned enterprises, this study provides empirical evidence from an organizational context where digital transformation, sustainability expectations, governance structures, and institutional complexity intersect.

5.3 Managerial Implications

The findings of this study provide several managerial implications for Indonesian BUMN, Tbk companies, and BUMN subsidiaries that aim to improve Sustainable Business Performance through digitalization strategy, digital transformation, business model innovation, and digital leadership.

First, organizations should not treat strategy digitalization merely as a formal document or corporate roadmap. As shown in Table 4.8, Digitalization Strategy Adoption (DSA) has a significant direct effect on SBP, but it does not significantly influence Market-Driven Business Model Innovation (MDBMI). This indicates that digitalization strategy can improve sustainable performance, but it may not automatically lead to business model innovation. Therefore, management should ensure that digital strategy is translated into concrete innovation agendas, market initiatives, customer value improvements, and sustainability-oriented business model redesign.

Second, organizations should ensure that digital transformation goes beyond technology implementation. The results in Table 4.8 show that Digital Transformation (DT) has the strongest direct effect on SBP, but Digital Transformation (DT) does not significantly influence Market-Driven Business Model Innovation (MDBMI). This suggests that digital transformation can improve sustainable performance through operational efficiency, data-driven decision-

making, and process improvement. However, to create stronger long-term value, digital transformation should also be connected to market strategy, customer needs, new revenue models, and ecosystem development.

Third, management should strengthen the role of Market-Driven Business Model Innovation (MDBMI) as a bridge between market demands and sustainability outcomes. As shown in Table 4.8, Market-Driven Business Model Innovation (MDBMI) has a significant direct effect on Sustainable Business Performance (SBP). This indicates that organizations need to continuously redesign their value proposition, value creation process, value delivery mechanism, revenue model, and partnership ecosystem. Business model innovation should not be treated as a separate commercial initiative, but as part of the organization's broader digital and sustainability transformation.

Fourth, organizations should develop Digital Leadership Capabilities (DLC) as a direct driver of Sustainable Business Performance (SBP). The additional analysis in Table 4.8 shows that Digital Leadership Capability (DLC) has a significant direct effect on Sustainable Business Performance (SBP). This means that digital leaders play an important role in providing digital vision, strategic alignment, resource coordination, cross-functional collaboration, and execution discipline. Therefore, companies should invest in leadership development programs that strengthen digital mindset, data-driven decision-making, agile execution, and sustainability-oriented leadership.

Fifth, managers should carefully interpret the negative moderating effect of Digital Leadership Capability (DLC). As shown in Table 4.10 and Figure 4.1, Digital Leadership Capability (DLC) negatively moderates the relationship between Market-Driven Business Model Innovation (MDBMI) and Sustainable Business Performance (SBP). This does not mean that digital leadership is harmful. Instead, it suggests that when digital leadership is strong, organizations may rely more on leadership-driven governance, delegation, coordination, and execution to improve sustainable performance. Therefore, management should ensure that digital leadership does not

operate separately from business model innovation. Digital leaders should actively connect leadership execution with market-driven innovation initiatives.

Sixth, organizations should reduce internal silos between digital strategy, digital transformation, business model innovation, leadership, and sustainability functions. The findings show that Digitalization Strategy Adoption (DSA), Digital Transformation (DT), Market-Driven Business Model Innovation (MDBMI), and Digital Leadership Capability (DLC) directly contribute to SBP, but Digitalization Strategy Adoption (DSA) and Digital Transformation (DT) do not significantly influence Market-Driven Business Model Innovation (MDBMI), and Market-Driven Business Model Innovation (MDBMI) does not mediate the relationships between DSA, Digital Transformation (DT), and Sustainable Business Performance (SBP). This indicates that these capabilities may still operate separately. Therefore, management should create cross-functional governance mechanisms, joint performance indicators, integrated transformation teams, and shared accountability across strategy, IT, commercial, innovation, and sustainability units.

Seventh, the IPMA results provide practical priorities for managerial improvement. The indicator-level IPMA shows that indicators such as MDBMI5, DT4, DSA4, DT5, and DSA5 have relatively high importance for SBP. Therefore, management should prioritize ecosystem adaptation, continuous scaling of digital transformation initiatives, regular evaluation of digital strategy performance, integration of digital technologies across key functions, and long-term digital commitment. These areas represent practical improvement priorities for strengthening Sustainable Business Performance.

Overall, the managerial implication of this study is that organizations should move from fragmented digital initiatives toward an integrated transformation system. Digital strategy, digital transformation, business model innovation, digital leadership, and sustainability execution should be aligned across functions so that they can collectively improve sustainable business performance.

5.4 Research Limitations

This study has several limitations. First, the study used a cross-sectional design, so the findings represent relationships among the constructs at one point in time and cannot fully explain long-term causal effects. Second, the study used non-probability purposive sampling, which was appropriate for selecting respondents with relevant managerial experience, but may limit the generalizability of the findings beyond Indonesian BUMN, Tbk companies, and BUMN subsidiaries. Third, the data were collected through self-reported questionnaires, which may involve respondent subjectivity, interpretation differences, or social desirability bias. Fourth, the model focused on five main constructs and did not include other possible factors such as organizational culture, ESG maturity, innovation capability, technology readiness, regulatory pressure, or market turbulence. Fifth, although this study interprets the not significant mediation effects and negative moderation effect through the organizational silo phenomenon and situational leadership perspective, the quantitative design cannot fully explain the underlying organizational processes behind these findings. Finally, Sustainable Business Performance was measured using perceptual data rather than objective financial, environmental, and social performance indicators.

5.5 Future Research Directions

Future research may extend this study in several ways. First, future studies may use longitudinal research designs to examine how digitalization strategy, digital transformation, business model innovation, digital leadership, and sustainable performance evolve over time. Second, future research may expand the sample beyond Indonesian BUMN, Tbk companies, and BUMN subsidiaries to include private companies, SMEs, multinational corporations, or specific industry sectors. Third, future studies may conduct sector-specific analysis to capture differences in digital maturity, ESG pressure, and business model innovation intensity across industries.

Fourth, future research may include additional variables such as organizational culture, innovation capability, ESG maturity, organizational agility, technology

readiness, regulatory pressure, market turbulence, and data analytics capability. Fifth, future studies should further investigate the not significant mediation role of Market-Driven Business Model Innovation (MDBMI) and examine whether other mediating variables better explain the relationship between digital initiatives and Sustainable Business Performance (SBP). Sixth, future research should further examine the negative moderating effect of Digital Leadership Capability (DLC) using qualitative or mixed-method approaches, particularly through the lens of situational leadership, team readiness, delegation, subordinate capability, and execution control. Finally, future studies may combine survey data with objective organizational performance indicators such as financial performance, ESG scores, sustainability reports, and environmental performance metrics.

5.6 Conclusion

This study concludes that Digitalization Strategy Adoption (DSA), Digital Transformation (DT), Market-Driven Business Model Innovation (MDBMI), and Digital Leadership Capabilities (DLC) play important roles in improving Sustainable Business Performance in Indonesian BUMN, Tbk companies, and BUMN subsidiaries. The empirical results show that Digitalization Strategy Adoption (DSA), Digital Transformation (DT), Market-Driven Business Model Innovation (MDBMI), and Digital Leadership Capability (DLC) directly contribute to SBP. However, Digitalization Strategy Adoption (DSA) and Digital Transformation (DT) do not significantly influence Market-Driven Business Model Innovation (MDBMI), and Market-Driven Business Model Innovation (MDBMI) does not mediate the relationships between Digitalization Strategy Adoption (DSA), Digital Transformation (DT), and Sustainable Business Performance (SBP). In addition, Digital Leadership Capability (DLC) has a positive direct effect on Sustainable Business Performance (SBP) but negatively moderates the Market-Driven Business Model Innovation (MDBMI) – Sustainable Business Performance (SBP) relationship.

The main conclusion of this study is that digital strategy, digital transformation, business model innovation, and digital leadership contribute to sustainable business performance through separate pathways. This indicates an organizational silo

phenomenon, where digital and innovation capabilities exist within organizations but are not yet fully integrated into one coherent transformation system.

Therefore, organizations should strengthen the integration between digital strategy, digital transformation execution, market-driven business model innovation, digital leadership, and sustainability-oriented performance management. Sustainable Business Performance can be improved not only by adopting digital strategies or implementing digital technologies, but also by ensuring that these initiatives are connected across functions and translated into market-driven and sustainability-oriented organizational outcomes.

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APPENDICES

Appendix A. Research Questionnaire

The research questionnaire used in this study is presented in Appendix A. The questionnaire was developed to collect data from respondents who met the eligibility criteria of this study, namely employees of Indonesian publicly listed companies (Tbk), state-owned enterprises (BUMN), or BUMN subsidiaries who hold managerial positions or above, are directly involved in digital or sustainability initiatives, and have a minimum of three years of experience in their current organization.

The questionnaire consists of six main sections. Section A contains respondent profile questions, including organization type, position level, industry sector, years of experience, and involvement in digital or sustainability-related initiatives. Sections B to F contain measurement items for the five constructs used in this study: Digitalization Strategy Adoption (DSA), Digital Transformation (DT), Market-Driven Business Model Innovation (MDBMI), Digital Leadership Capabilities (DLC), and Sustainable Business Performance (SBP). All construct items were measured using a five-point Likert scale ranging from 1 = Strongly Disagree to 5 = Strongly Agree.

The complete questionnaire is attached in Appendix A.

PENGANTAR KUESIONER | QUESTIONNAIRE INTRODUCTION

Yth. Bapak/Ibu Responden,

Kuesioner ini merupakan bagian dari penelitian tesis S2 di IPMI Institut (Master of Business Administration) yang bertujuan untuk mengkaji dampak adopsi strategi digitalisasi dan transformasi digital terhadap kinerja bisnis berkelanjutan, serta peran mediasi inovasi model bisnis berbasis pasar dan peran moderasi kapabilitas kepemimpinan digital pada perusahaan terbuka (Tbk) dan Badan Usaha Milik Negara (BUMN) di Indonesia.

This questionnaire is part of a Master's thesis research at Institut IPMI (MBA Program) examining the impact of digitalization strategy adoption and digital transformation on sustainable business performance, with the mediating role of market-driven business model innovation and moderating role of digital leadership capabilities in Indonesian publicly listed companies (Tbk) and state-owned enterprises (BUMN).

Partisipasi Bapak/Ibu bersifat sukarela. Seluruh data akan dijaga kerahasiaannya dan hanya digunakan untuk keperluan akademik semata. Tidak ada jawaban benar atau salah, kami hanya memohon penilaian yang jujur sesuai kondisi nyata organisasi Bapak/Ibu.

Your participation is voluntary. All data will remain strictly confidential and used for academic purposes only. There are no right or wrong answers, we simply request honest assessments reflecting actual conditions in your organization.

Estimasi waktu pengisian: 10–15 menit.

Kriteria Responden yang Memenuhi Syarat | Eligible Respondent Criteria:

1. Bekerja di perusahaan terbuka (Tbk) atau BUMN di Indonesia | Employed in a Tbk or BUMN in Indonesia
2. Menjabat sebagai Manajer atau di atas Manajer | Hold a Manager or above managerial position
3. Terlibat langsung dalam inisiatif digital atau strategi keberlanjutan | Directly involved in digital or sustainability initiatives
4. Minimum 3 tahun pengalaman di organisasi saat ini | Minimum 3 years of experience in current organization

PETUNJUK PENGISIAN | RESPONSE INSTRUCTIONS

Untuk setiap pernyataan di bawah ini, berikan tanda lingkaran (○) pada angka yang paling sesuai dengan kondisi nyata organisasi Anda, berdasarkan skala berikut:

For each statement below, circle (○) the number that best reflects the actual condition of your organization, based on the following scale:

1 Sangat Tidak Setuju Strongly Disagree	2 Tidak Setuju Disagree	3 Netral Neutral	4 Setuju Agree	5 Sangat Setuju Strongly Agree
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BAGIAN A: PROFIL RESPONDEN

Section A: Respondent Profile

A1. Jenis Organisasi Anda saat ini | Type of your current organization

A1	Jenis Organisasi Anda saat ini <i>Type of your current organization</i>	
☐	Perusahaan Terbuka / Publicly Listed Company (Tbk)	
☐	Badan Usaha Milik Negara / State-Owned Enterprise (BUMN)	
☐	Anak Perusahaan BUMN / BUMN Subsidiary	
☐	Lainnya / Other: _____	

A2	Jabatan / Level Posisi Anda <i>Your current position level</i>	
☐	Manager / Manajer	
☐	Senior Manager / Manajer Senior	
☐	Department Head / Kepala Departemen	
☐	General Manager	
☐	Director / Direktur	
☐	C-Suite (CEO, CFO, CTO, CDO, dll.)	
☐	Lainnya / Other: _____	

A3	Sektor Industri <i>Industry Sector</i>	
☐	Jasa Keuangan & Perbankan / Financial Services & Banking	
☐	Telekomunikasi & Teknologi / Telecommunications & Technology	
☐	Manufaktur & Industri / Manufacturing & Industry	
☐	Energi & Infrastruktur / Energy & Infrastructure	
☐	Ritel & Barang Konsumsi / Retail & Consumer Goods	
☐	Kesehatan / Healthcare	
☐	Properti & Konstruksi / Property & Construction	
☐	Transportasi & Logistik / Transportation & Logistics	
☐	Lainnya / Other: _____	

A4	Lama bekerja di organisasi saat ini <i>Years of experience in current organization</i>	
☐	1–2 tahun / years	
☐	3–5 tahun / years	
☐	6–10 tahun / years	
☐	Lebih dari 10 tahun / More than 10 years	

A5. Keterlibatan Anda dalam inisiatif berikut (pilih semua yang berlaku / select all that apply):

☐	Formulasi strategi digital / Digital strategy formulation
☐	Proyek transformasi digital / Digital transformation projects
☐	Inovasi model bisnis / Business model innovation
☐	Inisiatif keberlanjutan & ESG / Sustainability & ESG initiatives
☐	Pengembangan kepemimpinan digital / Digital leadership development

BAGIAN B: ADOPSI STRATEGI DIGITALISASI (DSA)

Section B: Digitalization Strategy Adoption | Teori: Dynamic Capabilities ,Sensing & Seizing (Teece, 2007)

Pernyataan berikut berkaitan dengan sejauh mana organisasi Anda secara formal mengintegrasikan strategi digitalisasi ke dalam perencanaan korporat dan alokasi sumber daya.

The following statements relate to the extent your organization formally integrates a digitalization strategy into corporate planning and resource allocation.

Pernyataan / Statement	1	2	3	4	5	Kode
DSA1. Organisasi kami memiliki strategi digital yang jelas dan selaras dengan tujuan korporat. <i>Our organization has a clearly defined digital strategy aligned with corporate objectives.</i>	☐	☐	☐	☐	☐	DSA1
DSA2. Inisiatif digital secara formal terintegrasi ke dalam proses perencanaan strategis. <i>Digital initiatives are formally integrated into the strategic planning process.</i>	☐	☐	☐	☐	☐	DSA2
DSA3. Sumber daya yang memadai dialokasikan untuk mendukung pelaksanaan strategi digital. <i>Sufficient resources are allocated to support digital strategy execution.</i>	☐	☐	☐	☐	☐	DSA3
DSA4. Manajemen puncak secara rutin mengevaluasi kinerja strategi digital. <i>Top management regularly evaluates digital strategy performance.</i>	☐	☐	☐	☐	☐	DSA4
DSA5. Digitalisasi diperlakukan sebagai prioritas strategis jangka panjang dalam organisasi kami. <i>Digitalization is treated as a long-term strategic priority in our organization.</i>	☐	☐	☐	☐	☐	DSA5

Referensi / Source: Bharadwaj et al. (2013); Westerman et al. (2014)

BAGIAN C: TRANSFORMASI DIGITAL (DT)

Section C: Digital Transformation | Teori: Dynamic Capabilities ,Seizing & Transforming (Teece, 2007)

Pernyataan berikut berkaitan dengan implementasi teknologi digital secara menyeluruh di seluruh proses dan kapabilitas organisasi Anda.

The following statements relate to the comprehensive implementation of digital technologies across your organization's processes and capabilities.

Pernyataan / Statement	1	2	3	4	5	Kode
DT1. Organisasi kami secara aktif mengadopsi dan mengintegrasikan teknologi digital baru di seluruh operasional. <i>Our organization actively adopts and integrates new digital technologies across operations.</i>	☐	☐	☐	☐	☐	DT1
DT2. Proses bisnis kami telah dirancang ulang secara fundamental melalui sistem digital. <i>Business processes have been fundamentally redesigned through digital systems.</i>	☐	☐	☐	☐	☐	DT2
DT3. Teknologi digital secara substansial meningkatkan pengambilan keputusan berbasis data kami. <i>Digital technologies have substantially improved our data-driven decision-making.</i>	☐	☐	☐	☐	☐	DT3
DT4. Inisiatif transformasi digital terus dikembangkan dan diskalakan secara berkelanjutan. <i>Digital transformation initiatives are continuously developed and scaled.</i>	☐	☐	☐	☐	☐	DT4
DT5. Organisasi kami telah membangun kompetensi digital yang kuat di seluruh unit fungsional. <i>Our organization has developed strong digital competencies across functional units.</i>	☐	☐	☐	☐	☐	DT5

Referensi / Source: Vial (2019); Verhoef et al. (2021); Sebastian et al. (2017); Warner & Wäger (2019)

BAGIAN D: INOVASI MODEL BISNIS BERBASIS PASAR (MDBMI)

Section D: Market-Driven Business Model Innovation | Teori: Dynamic Capabilities ,Transforming (Teece, 2007)

Pernyataan berikut berkaitan dengan kemampuan organisasi Anda merancang ulang model bisnis sebagai respons terhadap dinamika pasar, kebutuhan pelanggan, dan tuntutan keberlanjutan.

The following statements relate to your organization's ability to redesign its business model in response to market dynamics, customer needs, and sustainability demands.

Pernyataan / Statement	1	2	3	4	5	Kode
MDBMI1. Organisasi kami terus merancang ulang proposisi nilainya sebagai respons terhadap permintaan pasar yang berkembang. <i>Our organization continuously redesigns its value proposition in response to evolving market demands.</i>	☐	☐	☐	☐	☐	MDBMI1
MDBMI2. Umpan balik pelanggan dan intelijen pasar secara aktif membentuk penyesuaian model bisnis. <i>Customer feedback and market intelligence actively shape business model adjustments.</i>	☐	☐	☐	☐	☐	MDBMI2
MDBMI3. Kami telah memperkenalkan aliran pendapatan baru yang dimungkinkan oleh platform atau teknologi digital. <i>We have introduced new digital-enabled revenue streams or monetization models.</i>	☐	☐	☐	☐	☐	MDBMI3
MDBMI4. Rantai pasokan dan mekanisme pengiriman kami telah dikonfigurasi ulang untuk keberlanjutan yang lebih besar. <i>Our supply chain and delivery mechanisms have been reconfigured for greater sustainability.</i>	☐	☐	☐	☐	☐	MDBMI4
MDBMI5. Kemitraan pemangku kepentingan secara aktif disesuaikan untuk meningkatkan posisi pasar kompetitif kami. <i>Stakeholder partnerships are actively adjusted to enhance our competitive market position.</i>	☐	☐	☐	☐	☐	MDBMI5

Referensi / Source: Clauss (2017); Foss & Saebi (2017); Ma et al. (2021)

BAGIAN E: KAPABILITAS KEPEMIMPINAN DIGITAL (DLC)

Section E: Digital Leadership Capabilities | Teori: Microfoundations of Dynamic Capabilities (Teece, 2007)

Pernyataan berikut berkaitan dengan kompetensi kepemimpinan dalam memandu transformasi digital, mendorong inovasi, dan menyelaraskan inisiatif digital dengan tujuan keberlanjutan di organisasi Anda.

The following statements relate to leadership competencies in guiding digital transformation, fostering innovation, and aligning digital initiatives with sustainability objectives in your organization.

Pernyataan / Statement	1	2	3	4	5	Kode
DLC1. Pemimpin kami mengartikulasikan visi digital yang jelas dan menarik untuk organisasi. <i>Our leaders articulate a clear and compelling digital vision for the organization.</i>	☐	☐	☐	☐	☐	DLC1
DLC2. Manajemen secara aktif mendukung dan membiayai inisiatif inovasi digital. <i>Management actively supports and resources digital innovation initiatives.</i>	☐	☐	☐	☐	☐	DLC2
DLC3. Pemimpin kami mendorong budaya eksperimentasi dan pengambilan risiko digital yang terukur. <i>Our leaders foster a culture of experimentation and calculated digital risk-taking.</i>	☐	☐	☐	☐	☐	DLC3
DLC4. Pemimpin kami secara efektif mengelola perubahan organisasi yang terkait dengan transformasi digital. <i>Our leaders effectively manage organizational change associated with digital transformation.</i>	☐	☐	☐	☐	☐	DLC4
DLC5. Kepemimpinan memastikan keselarasan inisiatif digital dengan tujuan keberlanjutan organisasi. <i>Leadership ensures alignment of digital initiatives with sustainability objectives.</i>	☐	☐	☐	☐	☐	DLC5

Referensi / Source: Kane et al. (2019); Hess et al. (2016); Westerman et al. (2014)

BAGIAN F: KINERJA BISNIS BERKELANJUTAN (SBP)

Section F: Sustainable Business Performance | Kerangka: Triple Bottom Line ,Elkington (1997)

Bagian ini mengukur kinerja jangka panjang organisasi Anda di tiga dimensi keberlanjutan. Pernyataan mencakup dimensi ekonomi, lingkungan, dan sosial sesuai kerangka Triple Bottom Line.

This section measures your organization's long-term performance across three sustainability dimensions. Statements cover the economic, environmental, and social dimensions per the Triple Bottom Line framework.

F.1 Dimensi Ekonomi | Economic Dimension

Pernyataan / Statement	1	2	3	4	5	Kode
SBP1. Organisasi kami mencapai peningkatan kinerja keuangan yang berkelanjutan. <i>Our organization achieves sustained improvement in financial performance.</i>	○	○	○	○	○	SBP1
SBP2. Pertumbuhan pendapatan telah meningkat secara konsisten dalam beberapa tahun terakhir. <i>Revenue growth has improved consistently over recent years.</i>	○	○	○	○	○	SBP2
SBP3. Efisiensi operasional telah meningkat secara signifikan melalui inisiatif digital. <i>Operational efficiency has increased significantly through digital initiatives.</i>	○	○	○	○	○	SBP3

F.2 Dimensi Lingkungan | Environmental Dimension

Pernyataan / Statement	1	2	3	4	5	Kode
SBP4. Organisasi kami secara aktif dan terukur mengurangi jejak lingkungan (emisi, limbah, energi). <i>Our organization actively and measurably reduces its environmental footprint ,emissions, waste, energy.</i>	○	○	○	○	○	SBP4
SBP5. Program efisiensi sumber daya dan manajemen energi diimplementasikan secara efektif. <i>Resource efficiency and energy management programs are effectively implemented.</i>	○	○	○	○	○	SBP5

F.3 Dimensi Sosial | Social Dimension

Pernyataan / Statement	1	2	3	4	5	Kode
SBP6. Organisasi kami berkontribusi secara positif dan terukur bagi masyarakat dan komunitas sekitar. <i>Our organization contributes positively and demonstrably to society and communities.</i>	○	○	○	○	○	SBP6
SBP7. Kesejahteraan karyawan dan keterlibatan pemangku kepentingan merupakan prioritas strategis organisasi. <i>Employee welfare and stakeholder engagement are strategic organizational priorities.</i>	○	○	○	○	○	SBP7

Referensi / Source: Elkington (1997); Schaltegger & Wagner (2011)

PENUTUP | CLOSING

Terima kasih atas partisipasi Bapak/Ibu ,Thank you for your participation

Apakah Anda bersedia dihubungi untuk klarifikasi lebih lanjut? | Are you willing to be contacted for further clarification?

☐	Ya / Yes	☐	Tidak / No
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Email (jika bersedia dihubungi | if willing to be contacted):

Alamat Email:	
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Komentar / Saran (opsional | optional):

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Terima kasih atas waktu dan kontribusi Bapak/Ibu.

Thank you for your valuable time and contribution.

Esha E. Saratoga | 23232009 | MBA Institut IPMI 2026